MANUAL OF REGULATIONS ON FOREIGN EXCHANGE TRANSACTIONS

Updated as of August 2024

FOREWORD

The Manual of Regulations on Foreign Exchange Transactions, hereinafter referred to as the "FX Manual", is a consolidation of all regulations governing foreign exchange transactions. This Manual replaces Circular No. 1389 dated 13 April 1993, as amended, which was the first consolidation of foreign exchange regulations. This is an enhanced and complete version of Circular No. 1389, as amended, as it incorporates all amendments made since 1993 and consolidates all regulations on foreign exchange and related transactions.

The FX Manual, which shall be updated upon effectivity of subsequent amendments made thereto as approved by the Monetary Board, is posted at the BSP website (www.bsp.gov.ph) and has hyperlink features to allow users easy access to different sections, appendices, annexes, reports, relevant laws and issuances, and related websites.

In providing users easy access to information, the FX Manual is expected to facilitate compliance with existing regulations and requirements governing foreign exchange and related transactions.

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MANUAL OF REGULATIONS ON FOREIGN EXCHANGE TRANSACTIONS

List of Acronyms/Abbreviations

AABs	Authorized Agent Banks
AAB forex corps	subsidiary/affiliate foreign exchange corporations of AABs
AFS	Available for Sale Financial Assets
ASEAN	Association of Southeast Asian Nations
AWB	air waybill
BIR	Bureau of Internal Revenue
BL	bill of lading
BOI	Board of Investments
BOT	Build-Operate-Transfer
BSP	Bangko Sentral ng Pilipinas
BSRD	Bangko Sentral Registration Document
BT	Build and Transfer
CIR	Certificate of Inward Remittance
Coop Banks	cooperative banks
DES	Department of Economic Statistics
DSA	Department of Supervisory Analytics
DA	documents against acceptance
DFP	Duty Free Philippines, Inc.
DOF	Department of Finance
DOSRI	directors, officers, stockholders and their related interests
DP	documents against payment
DR	direct remittance
DTI	Department of Trade and Industry
EFCDU	Expanded Foreign Currency Deposit Unit
FCDU	Foreign Currency Deposit Unit
FSS	Financial Supervision Sector
IBs	Islamic banks
IOD	International Operations Department
HO	Head Office
KBs	commercial banks
LC	letter of credit
MORB	Manual of Regulations for Banks
MORNBFI	Manual of Regulations for Non-Bank Financial Institutions
NBBSEs	non-bank BSP-supervised entities
NBFIs	non-bank financial institutions
NBQBs	non-bank financial institutions with quasi-banking functions
NEDA	National Economic and Development Authority
OA	open account
OBU	offshore banking unit
PDIC	Philippine Deposit Insurance Corporation
PSE	Philippine Stock Exchange
RBs	rural banks
SEC	Securities and Exchange Commission
SWB	sea waybill
TBs	thrift banks
UBs	universal banks

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PART ONE. RULES ON FOREIGN EXCHANGE TRANSACTIONS

Chapter I

GENERAL PROVISIONS

1. **FX Regulations.** Regulations governing FX transactions are hereby consolidated in this Manual of Regulations on Foreign Exchange Transactions, hereinafter referred to as the "FX Manual".

2. **Compliance with Applicable Laws, Rules and Regulations.** All FX transactions, including those of authorized agent banks (AABs)/ AAB subsidiary/affiliate forex corporations (AAB forex corps), must be compliant with applicable laws, rules and regulations, including the "Know Your Customer" policy. In any conduct of FX transaction, AABs/ AAB forex corps shall exercise due diligence, and not participate/assist in any circumvention of existing laws, rules or regulations issued by BSP and appropriate authorities.

3. **Sale of FX.** The following rules shall apply to the sale of FX by AABs/AAB forex corps:

   a. The sale of FX may be freely made: (i) between and among AABs (unless otherwise indicated under the FX Manual); (ii) by AAB forex corps to AABs; and (iii) between and among individuals/entities other than AABs/AAB forex corps; *Provided*, that the sale of FX by BSP-supervised non-bank financial institutions (NBFIs), including qualified entities operating as FX dealers/money changers (FXDs/MCs) and remittance agents (RAs) that are neither AABs nor AAB forex corps, shall be governed by the pertinent provisions of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) and other applicable BSP regulations, and shall not be covered by the FX Manual.

   FX sales by AABs/AAB forex corps to BSP-supervised NBFIs shall be subject to the rules under the FX Manual.

   b. The rules (including documentary requirements) on FX that may be sold shall apply to the sale of FX against pesos (and not against another foreign currency) by AABs/AAB forex corps to individuals/ entities that are not AABs.

   c. All sales of FX by AABs/AAB forex corps for settlement of FX transactions are subject to the submission by the FX purchaser of a duly accomplished Application To Purchase FX (Annex A), unless otherwise indicated in the FX Manual.

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The duly accomplished Application To Purchase FX (Annex A)[1], as well as supporting documents for sale of FX by AABs/AAB forex corps, may be submitted in hardcopy or through electronic means in accordance with Item 4 (Electronic Submission of Documents) hereof. AABs/AAB forex corps/transacting parties/FX purchasers shall make available the original/copy (as applicable) of documents upon request by the BSP for verification.

d. The total amount of FX to be: (i) sold on spot basis; and/or (ii) hedged by a customer under derivatives contracts, by/with single or multiple AABs for specific underlying transaction shall not exceed the amount of such underlying transaction.

4. **Electronic Submission of Documents**[2]**.** The duly accomplished application forms and/or supporting documents[3] for the following may be submitted through electronic means (unless otherwise indicated under the FX Manual[4]) to the BSP or AABs/AAB forex corps[5]:

a. approval/registration[6] of foreign/foreign currency loans/borrowings;
b. registration of inward investments;
c. other requests to the BSP not covered by items (a) and (b)[7]; and
d. sale of FX by AABs/AAB forex corps covering FX transactions[8];

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1 AABs may digitize the Application To Purchase FX (Annex A) provided that appropriate risk management systems/policies are in place to ensure compliance with the attestation requirement under said form. The duly accomplished digitized form need not bear the signature of the FX purchaser provided that such document explicitly states that "This form is electronically-generated and does not require signature."

The BSP-International Operations Department (IOD) application forms (including notice/notification to the BSP using Annex E.3) without electronic signatures/digital signatures may also be submitted, *Provided,* that same shall be accompanied with the required attestation under this Section.

2 The duly accomplished application forms and/or supporting documents submitted via electronic means may bear electronic/digital signatures. Electronically-generated documents need not bear signature provided that such documents explicitly state that "This document is electronically-generated and does not require signature."

3 (a) Including BSP-issued documents [e.g., BSP letter-approval, Bangko Sentral Registration Document (BSRD)]
(b) Supporting documents need not be notarized (unless otherwise provided for by applicable law/s), subject to the required attestation under this Section.

4 E.g., certain documents under Appendix 10.C

5 (a) BSP – through: (i) iod_loans@bsp.gov.ph (for private sector foreign/foreign currency loans/borrowings); (ii) iod-iog1@bsp.gov.ph (for public sector foreign/foreign currency loans/borrowings); (iii) iod_investments@bsp.gov.ph (for inward investments); and (iv) email to the Head of the BSP - International Operations Department (for other requests); and (b) AABs/AAB forex corps – through official email/electronic/digital channel/system designated by banks subject to their due diligence/"Know Your Customer"/risk management policies. The BSP will not be responsible for electronic messages that may be hacked or cracked, intercepted, copied or disclosed (without authorization) outside BSP's information system.

6 Including submission of notice/notification to the BSP

7 Said requests shall be accompanied with the required attestation under this Section.

8 The documents submitted electronically shall be retained for a period of five (5) years from the time of submission thereof.

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Provided, that the submitting party[9] shall attest: (i) to the integrity and authenticity of the submitted documents; (ii) that the transmittal of documents was made via official channel; and (iii) to the availability of the original/copy of documents (as applicable) upon request by the BSP for verification.

For BSP-issued documents in electronic form[10], AABs/AAB forex corps shall verify with the BSP, through the IOD, the authenticity of said documents submitted by the client prior to FX sale/deposit of funds to a peso deposit account of non-resident, as applicable.[11]

5. **Processing fees.** Applications for approval/registration of foreign/ foreign currency loans/borrowings, inward investments and other FX transactions filed with the BSP-IOD shall be free of charge.

6. **Reporting to BSP under FX Form 1 and FX Form 1A (FX Form 1/1A).** All FX receipts/disbursements/sales/payments/remittances on underlying FX transactions covered by the FX Manual shall be duly reported to the BSP by the FX receiving/selling/remitting bank under the relevant schedule/s of FX Form 1 or FX Form 1A (FX Form 1/1A), as applicable.

7. Post-verification of FX transactions and reports may be undertaken by the BSP to verify compliance with the provisions of the FX Manual and/or the condition/s imposed on the approval/registration/authority granted/issued by the BSP and for monitoring purposes. A violation of any of the provisions of the FX Manual and/or the condition/s imposed on the approval/registration/authority granted/issued by the BSP may be a ground for cancellation/revocation thereof.

8. The terms used herein are as defined in the "Glossary of Terms" hereof unless otherwise indicated in specific sections of the FX Manual.

(As introduced by Circular No. 925 dated 13 September 2016 and as amended by Circular Nos. 1030 dated 5 February 2019, 1124 dated 10 August 2021, 1171 dated 29 March 2023 and 1192 dated 11 April 2024)

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[9] Including applicant/FX purchaser

[10] Starting 27 March 2020, all BSP-issued documents shall be in electronic form unless otherwise indicated. Said documents issued in electronic form (e.g., BSP letter-approval, provisional BSRDs) shall remain valid even after the period covered by Circular No. 1080 dated 27 March 2020. Hence, the BSP shall no longer issue original hardcopies to replace the electronically-issued BSP documents.

[11] The required verification with the BSP, through the IOD, shall apply to initial submission by the client to the Head Office/each branch of AAB/AAB forex corp of BSP-issued document in electronic form covering the specific underlying transaction/s, as applicable. Said verification shall not apply to: (a) documents issued by the BSP before 27 March 2020; (b) documents issued by registering AABs on behalf of the BSP (i.e., LA), regardless of date of issuance; and (c) subsequent submission by the client to the Head Office/same branch of AAB/AAB forex corp which previously verified the same documents with the BSP, as applicable.

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Chapter II

RESIDENT TO RESIDENT FX TRANSACTIONS

1. AABs/AAB forex corps may sell FX (regardless of amount) to non-bank residents for their FX transactions[12] with other residents subject to the submission to the FX selling institution of a duly accomplished Application To Purchase FX (Annex A) and supported by documents listed under Appendix 1.

2. FX sold by AABs/AAB forex corps for resident to resident transactions shall either be:

   a. remitted directly to the intended resident beneficiary's account[13] (whether onshore or offshore) on the date of FX sale; or

   b. credited to the resident FX purchaser's FCDU account with the FX selling AAB (or another AAB) for eventual remittance on or before due date to the intended resident beneficiary[13]; *Provided*, that the FX purchaser shall certify that: (i) the FX shall be used for the declared purpose; (ii) funds credited to the FCDU account shall eventually be remitted to the intended resident beneficiary on or before due date; and (iii) the FX purchaser shall include the purpose of the remittance in the remittance instructions to the remitting bank.

   The remitting bank shall report the FX remittances to BSP under the relevant schedule/s of FX Form 1/1A, as applicable, based on instructions of, and the purpose declared by, the FX purchaser.

3. Foreign currency loans shall also be governed by the provisions of Part Three, Chapter I of the FX Manual.

(As introduced by Circular No. 925 dated 13 September 2016 and as amended by Circular No. 1124 dated 10 August 2021)

[12] Trade and non-trade transactions (including loans and investments) requiring settlement in foreign currency

[13] Including payment/treasury centers/hubs, collection agents, and e-commerce market participants (e.g., payment system operators, payment service providers/aggregators)

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PART TWO. CURRENT ACCOUNT TRANSACTIONS

Chapter I

NON-TRADE CURRENT ACCOUNT TRANSACTIONS, PESO DEPOSIT ACCOUNTS OF NON-RESIDENTS AND CROSS-BORDER TRANSFER OF LOCAL AND FOREIGN CURRENCIES

Section 1. Disposition of Foreign Exchange Receipts. Foreign exchange receipts, acquisitions or earnings of residents from non-trade sources may be used freely for any purpose. Such proceeds may, at the option of said residents, be sold for pesos, retained or deposited in foreign currency accounts, whether in the Philippines or abroad.

Resident shall refer to:

a. an individual citizen of the Philippines residing therein; or
b. an individual who is not a citizen of the Philippines but is permanently residing[14] therein; or
c. a corporation or other juridical person organized under the laws of the Philippines; or
d. a branch, subsidiary, affiliate, extension office or any other unit of corporations or juridical persons which are organized under the laws of any country and operating in the Philippines, except OBUs.

Non-resident shall refer to an individual, a corporation or other juridical person not included in the definition of resident.

Section 2. Sale of FX for Non-Trade Current Account Transactions

1. **Sale of FX for Non-Trade Current Account Transactions of Residents with Non-Residents.** AABs/AAB forex corps may sell FX without need for prior BSP approval to cover payments for non-trade current account transactions (other than those related to foreign/foreign currency loans and investments) listed under Appendix 1, subject to submission of the following to the FX selling institution:

a. For FX sale not exceeding USD500,000 (for individuals) and USD1,000,000 (for corporates/other entities) or its equivalent in other foreign currency per client per day

❑ Duly accomplished Application To Purchase FX (Annex A)

[14] Residents include any individual, citizen or otherwise, who has resided in the Philippines for a year or longer, as defined in Section 83 of the International Monetary Fund (IMF) Balance of Payments Textbook, 1996.

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b. For FX sale exceeding USD500,000 (for individuals) and USD1,000,000 (for corporates/other entities) or its equivalent in other foreign currency per client per day

   ❑ Duly accomplished Application To Purchase FX (Annex A) and documents listed under Appendix 1

c. For FX sale (regardless of amount) to settle transactions involving netting arrangements[15] and/or e-commerce market participants

   ❑ Duly accomplished Application To Purchase FX (Annex A) and documents listed under Appendix 1

FX sold by AABs/AAB forex corps for non-trade current account transactions shall either be:

i. remitted directly to the intended beneficiary's account[16] (whether onshore or offshore) on the date of FX sale; or

ii. credited to the resident FX purchaser's FCDU account with the FX selling AAB (or another AAB) for eventual remittance on or before due date to the intended beneficiary[16]; *Provided*, that the FX purchaser shall certify that: (i) the FX shall be used for the declared purpose; (ii) funds credited to the FCDU account shall eventually be remitted to the intended beneficiary on or before due date; and (iii) the FX purchaser shall include the purpose of the remittance in the remittance instructions to the remitting bank.

The remitting bank shall report the FX remittances to BSP under the relevant schedule/s of FX Form 1/1A, as applicable, based on instructions of, and the purpose declared by, the FX purchaser.

FX sold for travel and medical expenses abroad not yet incurred, and sales proceeds of emigrant's domestic assets where the emigrant is still in the country, may be held in cash, or directly remitted to the intended beneficiary, or credited to the FX purchaser's FCDU account in accordance with items (i) and (ii) above.

2. **Sale of FX to Non-Resident Tourists and Balikbayan.** AABs/AAB forex corps may sell FX to non-resident tourists and balikbayan to the extent of the amount of FX shown to have been sold for pesos by the non-residents to AABs/AAB forex corps. Departing non-resident tourists and balikbayan may reconvert at airports or other ports of exit unspent pesos up to a maximum of

[15] Netting arrangements may: (a) cover trade in goods and services (subject to documentary requirements under Appendices 1 and 1.5, as applicable) but not those involving foreign/ foreign currency loans/borrowings and investments; and (b) involve related or unrelated parties.

[16] Including payment/treasury centers/hubs, collection agents, and e-commerce market participants (e.g., payment system operators, payment service providers/aggregators)

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USD10,000 or its equivalent in other foreign currency, calculated at prevailing exchange rates, without showing proof of previous sale of FX for pesos.

(As amended by Circular Nos. 698 dated 5 November 2010, 794 dated 18 April 2013, 874 dated 8 April 2015, 925 dated 13 September 2016, 1124 dated 10 August 2021 and 1192 dated 11 April 2024)

Section 3. Peso Deposit Accounts[17] of Non-Residents

1. **Funding for Peso Deposit Accounts of Non-residents.** Non-residents (including foreign banks) may open/maintain peso deposit accounts with AABs operating in the Philippines which shall be funded only by the following eligible sources of funds[18], subject to submission to the depository AABs of documents listed under Appendix 1.1 (regardless of amount of deposit):

a. peso proceeds[19] from conversion of inward remittances[20] of convertible FX[21];
b. peso receipts[22] of non-residents from, or peso sales proceeds of: (i) BSP-registered inward investments; and (ii) properties in the Philippines allowed to be owned by non-residents under existing laws[23];
c. onshore peso receipts of non-residents from residents for: (i) services[24] rendered by non-residents to residents; and (ii) trade transactions, under Part Two, Chapters I and II of the FX Manual, respectively;
d. peso receipts of expatriates working in the Philippines for less than one (1) year representing salary/allowance/other benefits;
e. peso funds of: (a) foreign students enrolled for at least one (1) school term in the Philippines; and (b) non-resident Filipinos;
f. cash collateral used for investments under Securities Borrowing and Lending or similar arrangements;

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17 These exclude settlement/clearing accounts of a foreign bank with its local branches. However, these accounts shall be subject to applicable laws, rules, and regulations (including the rules on cross-border transfer of local currency). The conversion to FX of the peso funds in said accounts for settlement of the underlying FX transactions of its clients shall be subject to rules on FX sale by AABs/AAB forex corps under the pertinent provisions of the FX Manual.

18 Eligible sources of funds covered by derivatives contracts shall also be subject to the FX rules on the underlying transactions including those governing derivatives transactions.

19 Including peso proceeds from inward remittances of FX initially deposited to the FCDU account of the non-resident

20 Peso proceeds may be used for any legitimate purpose. However, conversion thereof to FX shall be limited to those related to loans and investments in accordance with Item 2.a.i of Section 3.

21 Refer to convertible currencies indicated in the BSP reference exchange rate bulletin

22 Including refund of taxes or erroneously withheld taxes related to BSP-registered investments

23 Excluding condominium units that shall be registered with the BSP and supported by documents under item 2 of Appendix 1.1

24 Including underwriting/brokerage services (involving Philippine shares) rendered to non-residents by another non-resident entity acting as: (a) underwriter, bookrunner or foreign broker-dealer for initial public offering/follow-on offering; and (b) bookrunner and/or manager for the private placement/secondary block trade of listed securities

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g. peso receipts of non-residents from residents for payment of private sector foreign loans/borrowings and other loan-/borrowing-related transactions that are duly approved by/ registered with/reported to the BSP (as applicable) under Section 24;
h. peso proceeds from the onshore sale by non-resident issuers of their equity and debt securities under Section 34; and
i. peso funds returned to non-residents for excess pesos arising from unrealized investments[25] under Section 38.4.

2. **Sale of FX to Non-Residents for Peso Deposit Accounts**

a. Depository AABs may sell FX up to an amount equivalent to the balance (including accrued interest thereon) of peso deposit accounts of non-residents funded by eligible sources of funds under Item 1 hereof, subject to submission of the following:

i. For sale of FX funded by Item 1.a[26] related to loans and investments

❑ Duly accomplished Application To Purchase FX (Annex A) and documents listed under Appendices 1.3, 1.4 and 18 (as applicable)

To allow conversion of pesos to FX, the peso funds must have been used onshore to fund: (a) private sector loans/borrowings which are duly approved by and/or registered with/reported to the BSP in accordance with the provisions of Part Three, Chapter I of the FX Manual; and (b) inward investments which are duly registered with the BSP or registering AABs (as applicable) in accordance with the provisions of Part Three, Chapter II of the FX Manual. For funds not yet transferred to the resident investee relating to excess pesos arising from unrealized investments[25], AABs/AAB forex corps may sell FX in accordance with Section 38.4.

ii. For sale of FX funded by Items 1.b to 1.g

❑ Duly accomplished Application To Purchase FX (Annex A) and documents listed under Appendix 18 (as applicable)

In the case of Items 1.b.i, 1.e[27] and 1.g, the non-resident or its authorized representative shall also present the BSRD (as required under pertinent provisions of the FX Manual) for purposes of annotation of the peso amount converted to FX and reporting to the BSP of the underlying transaction.

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[25] Unrealized investments refer to investments of non-resident investors that did not materialize.
[26] Excluding peso funds of: (a) foreign students enrolled for at least one (1) school term in the Philippines; and (b) non-resident Filipinos
[27] In case the peso funds of the non-resident were used for investment and loans/borrowings to residents

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iii. For sale of FX funded by Items 1.h and 1.i

- ❑ Duly accomplished Application To Purchase FX (Annex A)

b. FX sold by depository AABs shall be remitted directly to the account of the non-resident intended beneficiary (whether onshore or offshore) on the date of FX sale.

c. The remitting depository bank shall report the FX remittances to BSP under the relevant schedule/s of FX Form 1/1A, as applicable, based on instructions of, and the purpose declared by, the FX purchasers and in accordance with the guidelines on reporting of trade transactions under Appendix 4 and investments under Appendices 10.A and 10.B, as applicable.

For remittance arising from Item 1.h, the FX remittance shall be reported to the BSP, through the IOD, using the prescribed form (Annex Y) within two (2) banking days from date of actual remittance.

(As amended by Circular Nos. 698 dated 5 November 2010, 794 dated 18 April 2013, 815 dated 18 October 2013, 925 dated 13 September 2016, 984 dated 22 December 2017, 1030 dated 5 February 2019, 1124 dated 10 August 2021, 1171 dated 29 March 2023 and 1192 dated 11 April 2024)

Section 4. Cross-Border Transfer of Local and Foreign Currencies

1. Local Currency. A person may import or export, or bring into or take out of the Philippines, or electronically transfer, legal tender Philippine notes and coins, checks, money order and other bills of exchange drawn in pesos against banks operating in the Philippines in an amount not exceeding PHP50,000 without prior authorization by the BSP.

Amounts in excess of aforementioned limit shall require: (a) prior written authorization from the BSP[28]; and (b) in case of physical cross-border transfer of Philippine currency, declaration of the whole amount brought into or taken out of the Philippines using the prescribed Currencies Declaration Form (Annex K).

The term "electronic transfer" as used herein shall mean a system where the authority to debit or credit an account (bank, business or individual) is provided by wire, with or without a source document being mailed to evidence the authority.

[28] The application for prior written authorization shall be filed through the International Operations Department. The BSP, however, allows cross-border transfer of local currency in excess of the limit only for the following purposes: (a) testing/calibration/configuration of money counting/sorting machines; (b) numismatics (collection of currency); and (c) currency awareness.

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The peso amount of the International Passenger Service Charge (IPSC) refunded to outbound exempt passengers[29] shall not be included in the aforecited limit during the implementation of said IPSC refund.

2. Foreign Currency. Any person, who brings into or takes out of the Philippines foreign currency, as well as other foreign currency-denominated bearer monetary instruments, in excess of USD10,000 or its equivalent is required to declare the whole amount brought into or taken out of the Philippines using the prescribed Currencies Declaration Form (Annex K).

As used herein, "other foreign currency-denominated bearer monetary instruments" shall refer to the following foreign exchange-denominated instruments in bearer form whereby title thereto passes to another by endorsement, assignment or delivery: traveler's checks, other checks, drafts, notes, money orders, bonds, deposit certificates, securities, commercial papers, trust certificates, custodial receipts, deposit substitute instruments, trading orders, transaction tickets and confirmation of sale/investment.

(As amended by Circular Nos. 794 dated 18 April 2013, 874 dated 8 April 2015, 922 dated 23 August 2016 and 1146 dated 26 May 2022)

Chapter II

FOREIGN MERCHANDISE TRADE TRANSACTIONS

Section 5. General Policy. As a general rule, all kinds of merchandise imports/exports are allowed. However, the importation and exportation of certain commodities are regulated or prohibited by law or rules and regulations issued by the competent authority for reasons of public health and safety, national security/interest, international commitments, development/ rationalization of local industry.

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[29] Those passengers exempted under Philippine laws from payment of travel tax, airport tax and other travel related taxes or fees, which include the following:
a. Philippine Sports Commission and its delegations or representatives to any international sports convention, conference and meeting, and athletes, coaches and other officials to any international competition under Republic Act (R.A.) No. 6847 (The Philippine Sports Commission Act);
b. Overseas Filipino Workers (OFWs) under R.A. No. 10022 (Migrant Workers and Overseas Filipinos Act of 1995); and
c. Other exempted individuals under Executive Order No. 283 (Restructuring the Travel Tax Exemptions and Restoring the Reduced Rates on Certain Individuals, Amending for this Purpose, Presidential Decree No. 1183, series of 1987, as amended);
Provided that, refund is made prior to departure at airports or other ports of exit.

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1. **Regulated and Prohibited Commodities Involving the BSP**[30]**.** The BSP is involved in the regulation and prohibition of the following import/ export commodities:

Import	Export
A. Regulated Commodities	
Legal tender Philippine notes and coins, checks, money order and other bills of exchange drawn in pesos against banks operating in the Philippines in an amount exceeding PHP50,000[31]	
Coin blank essentially of gold, steel, copper, nickel, zinc, tin, aluminum, brass, bronze, all with diameter of less than 30.00 mm and weight of less than 11.50 grams per piece; Coin blank essentially of silver with diameter of 36.8 mm +/- 0.05 mm and weight of 28.28 grams per piece; Nordic Gold coin metal with diameter of 33.55 mm +/- 0.05 mm and weight of 15 grams per piece[32]	-
Color reproduction machines with 2,400 dots per inch (dpi) or higher (excluding printers)[33]	-
B. Prohibited Commodities	
Any goods manufactured in whole or in part of gold, silver or other precious metals or alloys and the stamp, brand or mark does not indicate the actual fineness of quality of the metals or alloys[34]	
Unissued Philippine banknotes, except those authorized by the BSP[35]	Gold from small scale-mining, including panned gold[36]

2. **Domestic Buying and Selling of Gold by Residents.** Except as provided in the FX Manual, gold and gold-bearing metals may be bought and sold without specific approval of the **BSP**.

Gold from small-scale mining, including panned-gold, shall be sold to the BSP pursuant to Republic Act No. 7076 (People's Small-Scale Mining Act of 1991) dated 27 June 1991. All other forms or types of gold may, at the option of

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30 Commodities that are not under the BSP's purview shall be covered by applicable laws, rules and regulations and governed by the respective trade regulatory government agencies.

31 The application for prior written authorization shall be filed with the BSP, through the International Operations Department. The BSP, however, allows cross-border transfer of local currency in excess of the limit only for the following purposes: (a) testing/calibration/ configuration of money counting/sorting machines; (b) numismatics (collection of currency); and (c) currency awareness.

32 The application for prior written authorization shall be filed with the BSP, through the Mint and Refinery Operations Department (MROD).

33 The application for prior clearance shall be filed directly with the National Bureau of Investigation (NBI), which shall forward the matter to the BSP, through the Payments and Currency Investigation Group (PCIG), Office of the Assistant Governor – Payments and Currency Development Sub-Sector (OAG-PCDSS). Clearance to import shall be released by the NBI.

34 Pursuant to Section 118(d) of Republic Act (R.A.) No. 10863 [Customs Modernization and Tariff Act (CMTA)]. Under Section 1146 of the CMTA, prohibited goods as provided under Section 118 of the CMTA shall be destroyed, except for goods under Section 118(d) which shall be turned over to the BSP.

35 Under the purview of the BSP Banknotes and Securities Production Management Department (BSPMD)

36 Pursuant to R.A. No. 7076 (People's Small Scale Mining Act of 1991)

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the owner or producer thereof and with the consent of the BSP, be sold and delivered to the BSP.

The BSP may sell gold grains/pellets/bars and sheets to local jewelry manufacturers and other industrial users upon application, or to banks exclusively for re-sale to jewelry manufacturers/industrial users, at the BSP's gold-selling price plus a service fee to cover costs including cost of conversion and packaging.

(As amended by Circular No. 1124 dated 10 August 2021)

A. IMPORT TRADE TRANSACTIONS

Section 6. Sale of FX to Residents for Trade Transactions with Non-Residents. AABs/AAB forex corps may sell FX to residents for payment of importations[37], subject to submission of the following to the FX selling institution:

a. For FX sale not exceeding USD500,000 (for individuals) and USD1,000,000 (for corporates/other entities) or its equivalent in other foreign currency per client per day

   ❑ Duly accomplished Application To Purchase FX (Annex A)

b. For FX sale exceeding USD500,000 (for individuals) and USD1,000,000 (for corporates/other entities) or its equivalent in other foreign currency per client per day

   ❑ Duly accomplished Application To Purchase FX (Annex A) and documents listed under Appendix 1.5

c. For FX sale (regardless of amount) to settle transactions involving netting arrangements[38] and/or digital payments through e-commerce market participants

   ❑ Duly accomplished Application To Purchase FX (Annex A) and documents listed under Appendix 1.5

[37] Including those involving trade in goods and services under netting arrangements, and Engineering, Procurement and Construction (EPC) contracts or similar contracts/ arrangements

[38] Netting arrangements may: (a) cover trade in goods and services (subject to documentary requirements under Appendices 1 and 1.5, as applicable) but not those involving foreign/ foreign currency loans/borrowings and investments; and (b) involve related or unrelated parties.

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FX sold by AABs/AAB forex corps for payment of importations shall either be:

a. remitted directly to the seller/intended beneficiary's account[39] (whether onshore or offshore) on the date of FX sale; or

b. credited to the resident FX purchaser's FCDU account with the FX selling AAB (or another AAB) for eventual remittance on or before due date to the intended beneficiary[39] for settlement of import obligation; *Provided*, that the FX purchaser shall certify that: (i) the FX shall be used for the declared purpose; (ii) funds credited to the FCDU account shall eventually be remitted to the intended beneficiary on or before due date; and (iii) the FX purchaser shall include the purpose of the remittance in the remittance instructions to the remitting bank.

The remitting bank shall report the FX remittance to BSP under the relevant schedule/s of FX Form 1/1A, as applicable, based on instructions of, and purpose declared by, the FX purchaser.

(As amended by Circular Nos. 742 dated 21 November 2011, 818 dated 6 November 2013, 925 dated 13 September 2016 and 1124 dated 10 August 2021)

Section 7. (Reserved)

(As amended by Circular Nos. 794 dated 18 April 2013 and 1124 dated 10 August 2021)

Section 8. Modes of Payment for Imports. AABs/AAB forex corps may sell FX to service payments for imports under any of the following arrangements (including those under netting arrangements[40]) subject to the provisions of Sections 9 to 13 and the guidelines under Appendix 4:

1. Letter of Credit (LC);
2. Documents Against Payment (DP);
3. Documents Against Acceptance (DA);
4. Open Account (OA);
5. Direct Remittance (DR);
6. Advance Payment; and
7. Digital Payment through E-commerce Market Participants.

(As amended by Circular Nos. 874 dated 8 April 2015 and 1124 dated 10 August 2021)

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[39] Including payment/treasury centers/hubs, collection agents, and e-commerce market participants (e.g., payment system operators, payment service providers/aggregators)

[40] Netting arrangements may: (a) cover trade in goods and services (subject to documentary requirements under Appendices 1 and 1.5, as applicable) but not those involving foreign/foreign currency loans/borrowing and investments; and (b) involve related or unrelated parties.

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Section 9. Letter of Credit (LC)

1. All LCs must be opened on or before the date of shipment and only one (1) LC should be opened for each import transaction. For purposes of opening an LC, importers shall submit to the AAB the documents required under Appendix 4. Amendments of LCs need not be referred to the BSP for prior approval. LCs shall be negotiated in accordance with the terms and conditions set forth in the LC and shall be governed by the Uniform Customs and Practice for Documentary Credits.

The guidelines for opening of LCs and sale of FX for such importations are shown in Appendix 4.

2. Deferred LCs shall be governed by the pertinent provisions of Part Three, Chapter 1 (Loans/Borrowings and Guarantees) hereof. For this purpose, deferred LCs shall refer to those with payment terms of more than one year reckoned from initial shipment date.

(As amended by Circular Nos. 742 dated 21 November 2011, 925 dated 13 September 2016, 1124 dated 10 August 2021 and 1192 dated 11 April 2024)

Section 10. Documents Against Payment (DP)

1. Under the DP arrangement, AABs shall advise the importer of the receipt of the complete shipping documents and effect the release of said documents to the importer upon receipt of payment.

2. AABs shall remit payment to the seller/intended beneficiary in accordance with Section 6.

(As amended by Circular No. 1124 dated 10 August 2021)

Section 11. Documents Against Acceptance (DA) and Open Account (OA) Arrangements. Under the DA arrangement, the shipping documents are released to the importer by the AAB concerned at the instance of the seller's bank upon the importer's acceptance of the seller's bill of exchange obligating the importer to pay for the shipment at some future date. Under the OA arrangement, the said documents are released by the seller directly to the importer without coursing the documents through the banks, upon the importer's promise to pay at some future date. As used herein, an import transaction to be considered under DA or OA must be payable at least 30 days after the date of shipment indicated in the bill of lading (BL) or air waybill (AWB)/sea waybill (SWB).

The guidelines for reporting, payments and extensions of maturity of importations under DA or OA arrangements are shown in Appendix 4.

(As amended by Circular Nos. 874 dated 8 April 2015 and 1124 dated 10 August 2021)

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Section 12. Direct Remittance (DR). AABs/AAB forex corps may service importations under direct remittance within twenty-nine (29) calendar days after shipment date upon presentation/submission of the complete shipping documents, in accordance with existing rules, and import clearance for regulated items issued by concerned government agencies (as applicable). If the 29th day falls on a non-banking day, the following banking day shall apply and the importation will still be considered DR.

(As amended by Circular No. 1124 dated 10 August 2021)

Section 13. Advance Payment and Digital Payment through E-commerce Market Participants. AABs/AAB forex corps may sell FX without prior BSP approval for advance payment and digital payment through e-commerce market participants for importations, subject to the guidelines under Appendix 4.

(As amended by Circular Nos. 698 dated 5 November 2010, 742 dated 21 November 2011, 925 dated 13 September 2016 and 1124 dated 10 August 2021)

Section 14. Other Import Arrangements. The following import arrangements are also allowed without prior BSP approval:

1. Self-Funded/"No Dollar" Imports. These are imports funded by importer's own foreign currency deposit accounts or those sent by suppliers abroad for which no payment in foreign exchange will be made whether immediate or potential.

2. Importations on Consignment Basis. These are importations by export producers of raw materials and accessories/supplies from foreign suppliers/buyers abroad for the manufacture or processing of products destined for export to said foreign suppliers/buyers. These shall also include machinery/equipment and spare parts consigned to the local manufacturer/ processor for eventual re-export to the consignor: *Provided,* That the equipment involved shall be used only in connection with the processing of products for export.

The remitting bank shall report the import payments in Philippine peso and foreign currency to BSP under the relevant schedule/s of FX Form 1/1A, as applicable.

(As amended by Circular No. 1124 dated 10 August 2021)

B. EXPORT TRADE TRANSACTIONS

Section 15. (Reserved)

(As amended by Circular No. 1124 dated 10 August 2021)

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Section 16. (Reserved)

(As amended by Circular No. 1124 dated 10 August 2021)

Section 17. Export Declaration

All export shipments shall be covered by an Export Declaration using the prescribed form. AABs or OBUs shall require submission, for record purposes, of a copy of the duly accomplished Export Declaration form if the export negotiation or payment of the pertinent export shipment is coursed through them.

Section 18. Modes and Currency of Payment for Exports

1. Authorized Modes. Payments for exports may be made under any of the following modes (including those under netting arrangements[41]) without prior BSP approval:

a. Letter of Credit (LC);
b. Documents Against Payment (DP)/Cash Against Documents (CAD);
c. Documents Against Acceptance (DA);
d. Open Account (OA);
e. Consignment;
f. Export Advances[42]; and
g. Digital Payment through E-commerce Market Participants.

2. Acceptable Currencies

Payments for exports may be made in FX that are convertible with the BSP as indicated in the BSP Reference Exchange Rate Bulletin posted at the BSP website. However, payments for the following may be made in Philippine pesos:

a. Exports to ASEAN countries; *Provided*, that the BSP shall not be asked to intervene in the clearing of any balances from this payments scheme;[43] and

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[41] Netting arrangements may: (a) cover trade in goods and services (subject to documentary requirements under Appendices 1 and 1.5, as applicable) but not those involving foreign/ foreign currency loans/borrowings and investments; and (b) involve related or unrelated parties.

[42] Export transactions shall be reported under the relevant schedule/s of FX Form 1/1A and Monthly Report on Outstanding Balances of Export Advances (Annex C), as applicable. Bank draft/telegraphic transfer, buyer's checks, traveler's checks or acceptable foreign currency notes may be used in prepayment/export advance, but for buyer's checks, the same shall be cleared before shipment.

[43] Subject to limit on cross-border transfer of local currency under Section 4.1 of the FX Manual

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b. Gold sales to the BSP which are considered as constructive exports.

(As amended by Circular Nos. 794 dated 18 April 2013, 874 dated 8 April 2015 and 1124 dated 10 August 2021)

Section 19. Negotiation Procedures

The exporter shall negotiate his bill of exchange/account with the AAB or OBU together with the bill of lading (BL)/air waybill (AWB)/sea waybill (SWB), signed commercial invoice and other documents as required.

In case of availments of export advances, the AAB through which the availment was made must also be the same bank to negotiate the export documents.

(As amended by Circular No. 1124 dated 10 August 2021)

Section 20. Disposition of Export Proceeds. Foreign exchange receipts, acquisitions or earnings of residents from exports may be used freely for any purpose. Such proceeds may, at the option of the exporter, be sold for pesos, retained, or deposited in foreign currency accounts, whether in the Philippines or abroad.

Section 21. Constructive Exports

The following sales of residents paid for in FX shall be considered as constructive exports:

1. Gold sales to the BSP even if paid for in Philippine currency;

2. Sales of residents paid for in FX to the following entities:

   a. Bonded manufacturing warehouses of export producers/ manufacturers;
   b. Export processing zones;
   c. Board of Investments (BOI)-registered export traders operating bonded trading warehouses supplying raw materials used in the manufacture of export products;
   d. Diplomatic missions in the Philippines;
   e. Duty Free Philippines, Inc. (DFP);
   f. Foreign buyers of goods/products to be delivered directly to local consumers at the instruction of the former and paid for in foreign currency;
   g. Foreign aircraft and vessel operators[44] in Philippine ports and other terminal facilities which purchased fuel, oil, parts and supplies from local oil companies; and

[44] Including privately-owned, leased and chartered aircrafts/vessels

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h. Other entities wherein sales thereto by residents are considered as constructive exports under relevant laws, rules and regulations of other government agencies.

An Export Declaration for each sale shall be accomplished; *Provided*, that the exporter shall submit a delivery receipt signed by the buyer in lieu of the BL/AWB/sea waybill (SWB).

(As amended by Circular No. 1124 dated 10 August 2021)

PART THREE. FINANCIAL ACCOUNT TRANSACTIONS

Chapter I

LOANS/BORROWINGS AND GUARANTEES

Section 22. General Policy. The BSP shall regulate foreign/ foreign currency loans/borrowings (including those in the form of bonds/notes/ other debt instruments) so that these can be serviced in an orderly manner and with due regard to the economy's overall debt servicing capacity.

1. Projects/programs/purposes to be funded by the foreign/ foreign currency loans/borrowings (including those in the form of bonds/notes/ other debt instruments) must be legitimate and not contrary to laws, regulations, public order, public health, public safety, or public policy.

2. Foreign loans/borrowings (including those in the form of bonds/ notes/other debt instruments and those covered by derivatives transactions[45]) as well as foreign currency loans from banks operating in the Philippines to be obtained by the public sector as well as the private sector that will be publicly-guaranteed shall require prior BSP approval unless otherwise indicated in the FX Manual.

For amendments/changes to these loans, the following shall be complied with:

Nature of Amendment	Requirement
I. For public sector loans with MB approval-in-principle; and For publicly-guaranteed private sector loans with MB approval	
a. Change in: borrower/guarantor; purpose; financial terms and conditions of loans/ borrowings[46] (e.g., those involving change in: loan amount; interest rate; fees, charges or	MB approval shall be obtained prior to the signing of the covering agreement/effectivity of change.

[45] Refer to foreign loans/borrowings that are hedged/funded by derivatives

[46] Excluding change in: creditor or creditor's name (e.g., due to merger; corporate restructuring; among others); availability/closing date; financial ratios; covenants; related hedging instruments

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Nature of Amendment	Requirement
other costs; frequency of payments/servicing; loan tenor/maturity)	
b. Change in: creditor or creditor's name (e.g., due to merger; corporate restructuring; among others); availability/closing date; financial ratios; covenants; related hedging instruments; changes other than those in item a above	Notice to the BSP shall be sent within one (1) month from availability of information.
II. For public sector loans with final MB approval; and For publicly-guaranteed private sector loans with BSP registration	
a. Change in: borrower/guarantor; purpose; financial terms and conditions of loans/ borrowings[46] (e.g., those involving change in: loan amount; interest rate; fees, charges or other costs; frequency of payments/servicing; loan tenor/maturity; prepayments/ acceleration of payments)	MB approval shall be obtained prior to the signing of the covering agreement/effectivity of the change.
b. Change in: creditor or creditor's name (e.g., due to merger; corporate restructuring; among others); availability/closing date; financial ratios; covenants; related hedging instruments; changes other than those in item a above	Notice to the BSP shall be sent within one (1) month from availability of information.

3. Foreign loans/borrowings (including those in the form of bonds/ notes/other debt instruments and those covered by derivatives transactions[45]) of the private sector[47] that are not publicly-guaranteed shall be registered with the BSP if these will ultimately be serviced with FX resources of AABs/ AAB forex corps.

4. All foreign currency loans (whether in favor of residents or non-residents) extended by banks operating in the Philippines shall be reported by the creditor bank to the BSP using the prescribed forms (Annexes E.4 and E.5). For loans extended to non-residents, these cannot be serviced with FX resources of AABs/AAB forex corps.

5. Foreign loans/borrowings (including those in the form of bonds/ notes/other debt instruments)/foreign currency loans (including interbank loans) that are not publicly-guaranteed obtained by private sector banks operating in the Philippines, as well as those obtained by private sector non-bank financial institutions with quasi-banking functions, shall not be subject to prior BSP approval and subsequent registration but shall comply with: (a) Sections 22.7 and 22.8, and Appendices 1 and 1.3 (as may be applicable) of the FX Manual; (b) pertinent provisions of the MORB/MORNBFI; and (c) other applicable laws, rules and regulations.

[47] But excluding foreign loans/borrowings of the following private sector entities: (a) banks; and (b) non-bank financial institutions with quasi-banking functions covered by Section 22.5 of the FX Manual

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6. Applications for BSP approval/registration of loans shall be filed through the BSP's online system and shall be free of charge.

7. To allow the BSP to determine the possible magnitude of foreign funding requirements of the economy for the succeeding year, all resident entities (public[48] and private sectors) intending to obtain medium- and long-term foreign loans/borrowings (including offshore issuances of debt instruments) shall submit to the BSP, through the International Operations Department (IOD), their medium- and long-term foreign borrowings plan (FBP) using the prescribed form (Annex D.3) not later than end-September of each year for borrowings for the fourth quarter of the current year and the succeeding full year. Proposed onshore issuances by residents of debt instruments that require settlement in foreign currency shall likewise be reported in the FBP.

Any changes to the submitted plans shall be communicated in writing to the BSP, through the IOD, within two (2) weeks from availability of information for monitoring purposes.

8. For statistical purposes, all foreign loans/borrowings (including those in the form of bonds/notes/other debt instruments), whether BSP-approved/ registered or not, shall be regularly reported to the BSP-IOD, using the prescribed forms (Annexes E.1, E.2, and E.3[49]) within the prescribed deadline until the obligations are fully extinguished[50].

(As amended by Circular Nos. 984 dated 22 December 2017, 1030 dated 5 February 2019, 1124 dated 10 August 2021 and 1171 dated 29 March 2023)

Section 23. Public Sector[48] Loans/Borrowings –

1. Prior Monetary Board approval shall be obtained for public sector foreign/foreign currency loans/borrowings, including issuances of the following except those covered by Section 23.2:

   a. FX-denominated bonds/notes/other debt instruments, whether to be issued onshore or offshore; and

   b. Peso-denominated bonds/notes/other debt instruments issued offshore, whether to be settled in foreign or local currency.

2. The following public sector loans shall not require prior BSP approval:

   a. Short-term interbank borrowings; and

[48] Public sector entities include the following: (a) National Government, its agencies and instrumentalities; (b) government-owned and controlled corporations (GOCCs); (c) government financial institutions (GFIs); and (d) local government units (LGUs).

[49] Annex E.3 shall be submitted for initial reporting of foreign loans obtained without prior BSP approval/registration.

[50] Includes debt to equity conversion

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b. Short-term foreign currency loans of the following from banks operating in the Philippines that are duly reported to the BSP using the prescribed forms (Annexes E.4 and E.5):

   i. Commodity and service exporters: *Provided*, That these loans are used to finance export-related import costs of goods and services as well as peso cost requirements.

      Service exporters shall refer to Philippine residents engaged or proposing to engage in rendering technical, professional or other services which are paid for in FX.

      Indirect exporters may likewise borrow in foreign currency from banks operating in the Philippines to fund export-related costs in FX and pesos. Indirect exporters shall refer to cottage/ small and medium industries (producers/manufacturers) that have supply arrangements with direct exporters who are holders of an export letter of credit or a confirmed purchase order/sales contract from a foreign buyer.

   ii. Producers/manufacturers, including oil companies and public utility firms: *Provided*, That the loans are used to finance import costs of goods and services necessary in the production of goods by the borrower concerned. Producers/manufacturers shall refer to Philippine residents that undertake the processing/conversion of raw materials into marketable form through physical, mechanical, chemical, or other means, or by special treatment, or a series of actions that result in a change in the nature or state of the products.

      Public utility firms shall refer to business organizations that regularly supply the public with commodities or services such as electricity, gas, water, transportation, telegraph/telephone services and the like.

3. Applications for approval of foreign/foreign currency loans/ borrowings shall be submitted using the prescribed form (Annex D.1), supported by required documents/information:

a. For approval-in-principle: Requests shall be filed before commencement of actual negotiations or issuance of mandate/ commitment to foreign funders/arrangers; and

b. For final approval: Requests shall be filed after signing of the loan/borrowing documents but before drawdown/receipt of proceeds from loans and issuances of bonds/notes/other debt instruments.

Signed loan/borrowing documents/agreements submitted for final approval shall not be notarized.

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4. Proceeds of foreign/foreign currency loans/borrowings (including those from issuances of bonds/notes/other debt instruments) of the National Government, its political subdivisions and instrumentalities, and GOCCs[51] shall be deposited with the BSP pending utilization, pursuant to Section 113 of Republic Act (R.A.) No. 7653 (The New Central Bank Act) dated 14 June 1993, as amended.

(As amended by Circular Nos. 984 dated 22 December 2017, 1171 dated 29 March 2023 and 1192 dated 11 April 2024)

Section 24. Private Sector Loans/Borrowings –

1. Prior BSP approval shall be obtained for publicly-guaranteed private sector foreign/foreign currency loans/borrowings, including issuances of the following:

a. FX-denominated bonds/notes/other debt instruments, whether issued onshore or offshore; and

b. Peso-denominated bonds/notes/other debt instruments issued offshore, whether to be settled in foreign or local currency.

The loans/borrowings shall be registered with the BSP to allow servicing of payments using FX resources of AABs/AAB forex corps. Applications for loan approval (Annex D.2.A) and registration (Annex D.2.B) shall be in the prescribed BSP forms and filed with the BSP, together with supporting documents/ information, as follows:

a. For loan approval – at least 30 banking days before the target signing date of the loan/borrowing documents. Loan/borrowing agreements which have been signed and/or drawn/availed of prior to securing the requisite BSP approval shall not be eligible for approval and registration.

b. For registration – within six (6) months from utilization of proceeds. Covering loan/borrowing documents/agreements shall not be notarized.

2. Private sector foreign loans/borrowings (including those in the form of bonds/notes/other debt instruments issued offshore) that are not publicly-guaranteed[52] and not covered by Section 24.3 shall be subject to registration with the BSP if these will ultimately be serviced using FX resources of AABs/AAB forex corps. The borrower shall:

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[51] For the purpose of this provision, GOCCs shall refer to those created by special laws. The term excludes government financial institutions such as but not limited to Development Bank of the Philippines, Land Bank of the Philippines and Al-Amanah Islamic Investment Bank of the Philippines, corporations created under the provisions of the Corporation Law (Act No. 1459, as amended) or the Revised Corporation Code of the Philippines (Republic Act No. 11232), and private corporations taken over by the GOCCs.

[52] Including those that do not involve any exposure of a government-owned/controlled entity

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a. Submit a Notice to the BSP (Annex E.3), supported with a copy of the signed covering agreement(s)/document(s), within one (1) month from date of signing[53];

b. Send a notification to BSP[54] for: (i) change/s in the loan's financial terms and conditions[55]; or (ii) cancellation (whether partial or in full) of the loan/commitment/agreement, within one (1) month from availability of information/signing of the amended or supplemental agreement/effectivity date as the case may be, for monitoring purposes; and

c. Apply for loan registration with the BSP within one (1) month from drawdown date (for short-term loans) and within six (6) months from utilization of proceeds (for medium- and long-term loans), using the prescribed form (Annex D.2.B), if the loan will ultimately be serviced with FX resources of AABs/AAB forex corps.

3. The following private sector loans shall not require prior BSP approval and subsequent registration; *Provided*, these are duly reported to the BSP by the borrower/creditor using the prescribed forms:

a. Foreign currency loans of resident borrowers from banks operating in the Philippines; *Provided*, that the obligations: (i) are not publicly-guaranteed; and (ii) are reported by the creditor bank to the BSP using the prescribed forms (Annexes E.4 and E.5);

b. Foreign obligations of residents under deferred letters of credit (LCs) or under documents against acceptance or open account (DA-OA) arrangements with a term of more than one (1) year that are not guaranteed by foreign governments/official export credit agencies (Annex E.2 for the resident borrower); and

c. Short-term trade loans of resident exporters/importers from OBUs and non-resident non-bank creditors that have been granted under BSP-reported lending programs; *Provided*, that the following reports shall be submitted to the BSP:

i. By the borrower – monthly report on transactions and status of their short-term loans within five (5) banking days after end of

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[53] Purchase of FX for payment of fees (excluding interest) prior to registration may be allowed, subject to documentary requirements under Appendix 1.3 of the FX Manual. For this purpose, the borrower shall submit to the BSP a request for authority to purchase FX supported by a duly accomplished Annex E.3 [together with a copy of the signed covering agreement(s)/ document(s)].

[54] Annex E.3 may be used for this purpose.

[55] Financial terms and conditions refer to committed amount, purpose, currency, interest rate, fees/charges, tenor, amortization schedule, default rate and prepayment. Changes in borrower/issuer/creditor/guarantor, availability/closing date, financial ratios/covenants, and/or availments/amendments/cancellation of related hedging instruments shall also be included in the notification to BSP.

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reference month using the prescribed form (Annex E.1) until the obligations are fully settled; and

ii. By the creditor OBU – Schedule 4A (Part I) & 4B (Part II) – "Consolidated Report on Loans Granted by OBUs to Residents" of the "Statement of Assets and Liabilities" report of OBUs.

4. Private sector foreign loans/borrowings that are not publicly-guaranteed obtained without the requisite BSP approval[56] may be registered with the BSP to allow servicing using FX resources of AABs/ AAB forex corps.

5. For conversion of registered foreign loans/borrowings to equity, the BSRD shall be surrendered to the BSP-IOD for purposes of registration of the investments as provided under Appendix 10.C.

6. The guidelines covering replacement/reissuance of lost BSRDs for private sector foreign/foreign currency loans/borrowings are provided under Appendix 5.

(As amended by Circular Nos. 742 dated 21 November 2011, 794 dated 18 April 2013, 818 dated 6 November 2013, 874 dated 8 April 2015, 925 dated 13 September 2016, 984 dated 22 December 2017, 1030 dated 5 February 2019, 1124 dated 10 August 2021 and 1171 dated 29 March 2023)

Section 25. Servicing of Foreign/Foreign Currency Loans/ Borrowings

1. The following shall be subject to prior BSP approval:

a. Prepayment of public sector/publicly-guaranteed private sector loans; and

b. Payment by the public sector: (i) for loans that are past due[57] for more than one (1) month; and (ii) under the guarantee covering publicly-guaranteed private sector loans that are past due[57]

2. The borrower or its duly authorized representative shall submit a notice to the BSP at least one (1) month prior to target date of purchase of FX for the following private sector loans/borrowings that are not publicly-guaranteed:

a. Prepayment of BSP-registered loans/borrowings [except for prepayment of BSP-registered short-term private sector loans/ borrowings (including those in the form of bonds/notes/other debt instruments) that are not publicly-guaranteed, which do not require prior BSP notification]; and

[56] i.e., foreign loans/borrowings outstanding and booked in the borrower's records as of 22 December 2017

[57] Those beyond original/amended due date/s duly approved by the BSP

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b. Payments on loans/borrowings that are past due[58] for more than one (1) month.

3. All prepayments shall be subject to the following:

a. The FX selling AAB/AAB forex corp shall require documents prescribed in Appendix 1.3 of the FX Manual to support sale of FX for debt servicing;

b. The FX sold/outwardly remitted shall be duly reported by the FX selling/remitting AAB under the appropriate schedules of FX Form 1, based on instructions of, and declared purpose by, the FX purchaser.

4. AABs/AAB forex corps may sell FX for servicing of foreign/foreign currency loans/borrowings (including those in the form of bonds/notes/other debt instruments) of the public and private sectors upon submission to the FX selling institution of a duly accomplished and signed Application To Purchase FX (Annex A), supported by documents listed under Appendices 1 and 1.3 (as applicable).

5. FX sold by AABs/AAB forex corps for payments on loans/borrowings (including those in the form of bonds/notes/other debt instruments) and related fees/charges shall either be:

a. remitted directly to the account of the creditor/intended beneficiary on the date of purchase; or

b. credited to the FCDU account of the resident borrower (or the guarantor in case payment will be made by the guarantor) with the FX selling AAB (or another AAB) for eventual remittance on or before due date to the intended beneficiary; *Provided*, that the applicant purchaser shall certify that: (i) the FX shall be used for the declared purpose; (ii) funds credited to the FCDU account shall eventually be remitted to the intended beneficiary on or before due date; and (iii) the resident borrower shall include in the remittance instructions to the remitting bank, the purpose of the remittance.

The remitting bank shall report the FX remittances to BSP under the relevant schedule/s of FX Form 1/1A, as applicable, based on instructions of, and purpose declared by, the FX purchaser.

[58] Those beyond original/amended due date/s duly approved/registered/noted by the BSP (as applicable)

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6. All loan payments (including prepayments) made, irrespective of the source of FX funding, shall be reported by the borrower to BSP-IOD using the prescribed forms (Annexes E.1 and E.2).

(As amended by Circular Nos. 984 dated 22 December 2017, 1030 dated 5 February 2019 and 1124 dated 10 August 2021)

Section 26. (Reserved)

(As amended by Circular No. 984 dated 22 December 2017)

Section 27. (Reserved)

(As amended by Circular Nos. 925 dated 13 September 2016 and 984 dated 22 December 2017)

Section 28. (Reserved)

(As amended by Circular Nos. 742 dated 21 November 2011, 925 dated 13 September 2016 and 984 dated 22 December 2017)

Section 29. (Reserved)

(As amended by Circular Nos. 698 dated 5 November 2010, 794 dated 18 April 2013, 818 dated 6 November 2013, 925 dated 13 September 2016 and 984 dated 22 December 2017)

Section 30. Guarantees and Other Similar Arrangements

1. Guarantees for account of the public sector or similar arrangements (other than those covered by Section 30.3 hereof) that may give rise to actual foreign obligations of the public sector to non-residents, as well as those to be issued by government-owned and controlled corporations (excluding public sector banks and non-bank financial institutions with quasi-banking functions) in favor of non-residents, shall require prior BSP approval.

2. The following guarantees (including risk take-over and similar arrangements) for account of non-residents and private sector residents shall neither require prior BSP approval nor registration but shall be reported regularly to the BSP by AABs as issuer/beneficiary using the prescribed form (Annex G-Part A if AAB is issuer; or Annex G-Part B if AAB is beneficiary) until the contingent obligations are fully extinguished, to be eligible for servicing using FX resources of AABs/AAB forex corps:

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a. Guarantees to be issued by resident banks (including public sector banks) and non-bank financial institutions with quasi-banking functions, in favor of non-residents/residents such as:

   i. Payment guarantees (e.g., bid bonds, performance bonds, advance payment bonds); and

   ii. Guarantees to secure foreign obligations of residents which do not partake the nature of a foreign loan.

b. Guarantees to be issued by non-resident banks/financial institutions as well as other non-resident entities to secure peso loans/foreign currency loans of the private sector from banks operating in the Philippines under Section 24.3.a and non-bank financial institutions with quasi-banking functions.

Payments related to duly reported guarantees [e.g., guarantee fees/charges; payments for: (a) call on the guarantees; and (b) obligation resulting from such call on the guarantee] may be serviced using FX resources of AABs/AAB forex corps.

3. Guarantees that are related to foreign/foreign currency loans/borrowings under Sections 23 and 24 (except those covered under Section 24.3.a) must already form part of the loan terms submitted/reported to BSP (as applicable). In case of a call on such guarantee:

a. The borrower/guarantor shall notify the BSP at least 10 banking days prior to target date of settlement of the call on the guarantee to allow servicing using FX resources of AABs/AAB forex corps; and

b. The borrower shall comply with pertinent rules covering the underlying obligation (including reportorial requirements).

4. Guarantees or similar arrangements[59] which may give rise to actual foreign obligations of residents to non-residents that do not fall under Sections 30.1 to 30.3 shall be:

a. Registered with the BSP to allow servicing of payments related thereto [e.g., guarantee fees/charges; payments for: (i) call on the guarantees; and (ii) obligation resulting from such call on the guarantee] using FX resources of AABs/AAB forex corps. The filing of applications for registration shall be made within six (6) months from date of signing of the covering agreement but not later than 15 banking days from target date of purchase of FX; and

[59] Such as guarantees issued by: (a) non-residents for transactions between non-bank residents; and (b) non-bank residents for transactions between non-residents

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b. Reported regularly to the BSP by the resident obligee using the prescribed form (Annex H) until the contingent obligations are fully extinguished.

5. AABs/AAB forex corps may sell FX to settle obligations of residents/convert to FX the peso receipts of non-residents under the guarantees, as these fall due without prior BSP approval, upon submission to the FX selling institution of a duly accomplished and signed Application To Purchase FX (Annex A), supported by documents listed under Appendix 1.3.

The remitting bank shall report the FX remittances to BSP under the relevant schedule/s of FX Form 1/1A, as applicable, based on instructions of, and the purpose declared by, the FX purchaser.

(As amended by Circular Nos. 925 dated 13 September 2016, 984 dated 22 December 2017, 1030 dated 5 February 2019 and 1124 dated 10 August 2021)

Section 31. Other Financing Schemes/Arrangements

1. Financing schemes which will involve option to purchase arrangement or transfer of ownership after a certain period of time, as in the case of Build-Operate-Transfer (BOT), Build and Transfer (BT) arrangements, shall be registered with the BSP to be eligible for servicing using FX resources of AABs/AAB forex corps. Applications for registration shall be filed by the implementing agency/proponent with the BSP within one (1) month from contract signing.

Implementing agencies/proponents of projects under BOT/similar financing arrangements shall submit the following reports to BSP:

a. Yearly Projected Funding Requirements for BOT/Other Similar Financing Schemes (Annex I-Part A), on or before September 30 of the year preceding the reference period; and

b. Monthly Report on Payments under BOT/Other Similar Financing Schemes (Annex I-Part B) within ten (10) banking days from end of reference month.

2. Offshore issuances by non-residents of peso-denominated bonds/ notes and similar debt instruments (whether to be settled in foreign or local currency) shall be registered with the BSP to be eligible for servicing using FX resources of AABs/AAB forex corps, where the transaction will involve:

a. inward remittance of FX to the Philippines by the non-resident issuer/investor; or

b. participation of a resident enterprise or any of its offshore offices, branches, subsidiaries and affiliates as issuer, guarantor or beneficiary under the transaction.

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The transaction shall comply with rules on cross-border transfer (import and export) of Philippine currency as well as pertinent rules and regulations of other government agencies/entities.

The issuer shall: (a) submit to the BSP a notice on: (i) the bond transactions using the prescribed form (Annex E.3), together with copies of the signed covering agreements/documents and final offering circular (if any) within 30 calendar days from issue date; and (ii) change/s in the financial terms and conditions[60] of the issuance within two (2) weeks from availability of information for monitoring purposes; and (b) register with the BSP within 30 calendar days from issue date if same will be serviced using FX resources of AABs/AAB forex corps.

3. Non-resident issuances of notes/bonds or similar instruments in the domestic market shall require BSP approval before execution.

4. AABs may extend peso financing to non-residents to fund the following:

   a. Without prior BSP approval – specific cases allowed under the MORB; or

   b. Subject to prior BSP approval – for use in projects/programs/ purposes that are: (i) not covered by item (a) above; and (ii) legitimate and not contrary to laws, regulations, public order, public health, public safety, or public policy. The creditor-bank shall submit to the BSP-IOD its application for approval of proposed peso financing program to non-residents.

(As amended by Circular Nos. 794 dated 18 April 2013, 984 dated 22 December 2017 and 1030 dated 5 February 2019)

Chapter II

INWARD INVESTMENTS

Section 32. General Policy. The BSP supports the country's thrust to promote a policy environment conducive to sustained inflow of foreign investments to help foster economic development and growth.

1. Inward foreign investments are investments by non-residents in the form of: (a) foreign direct investments covered by Sections 33.1 and 33.3; (b) foreign portfolio investments covered by Sections 33.2 and 33.3; and (c) other investments covered by Section 33.4.

[60] Financial terms and conditions refer to committed amount, purpose, currency, interest rate, fees/charges, tenor, amortization schedule, default rate and prepayment. Changes in borrower/issuer/creditor/guarantor, availability/closing date, financial ratios/covenants, and/or availments/amendments/cancellation of related hedging instruments shall also be included in the notice to BSP.

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Non-resident investors may likewise invest in instruments covered by Sections 34 and 35.

2. These investments need not be registered with the BSP unless the repatriation of capital and/or the remittance of related earnings in pesos thereon shall be funded with FX resources of AABs/AAB forex corps.

A Bangko Sentral Registration Document (BSRD) shall evidence the BSP registration of investments.[61]

3. These investments may be funded as follows:

   a. In cash (e.g., inward remittance of FX), as well as funding from: (i) peso balances of the non-resident investor's onshore peso deposit account under Section 3.1 and interim peso deposit accounts under Section 41; and (ii) constructive remittance of FX[62]; and

   b. In kind (e.g., machinery and equipment, raw materials, supplies, spare parts and other items that are actually transferred to the Philippines, as well as intangible assets).

4. The categories of investments referred to in Sections 33 and 34 shall be used for reporting purposes to the BSP.

5. Investments shall comply with all applicable laws, rules and regulations, including those issued by the BSP (e.g., prohibition against non-resident investments, whether directly or indirectly, in the BSP term deposit facility).

(As amended by Circular Nos. 794 dated 18 April 2013, 1030 dated 5 February 2019 and 1192 dated 11 April 2024)

Section 33. Inward Foreign Investments[63] in Instruments Issued by Residents. These refer to the following investments by non-residents in instruments issued/created onshore by residents:

1. *Foreign direct investment* is a category of cross-border investment associated with a resident in one economy having control[64] or a significant degree of influence[65] on the management of an enterprise that is resident in another economy. This includes the following:

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[61] Except those covered by Section 37 for which a BSRD shall no longer be issued

[62] Constructive remittance refers to FX funding credited to offshore FX account of resident investee firm/intended beneficiary/onshore bank without actual inward remittance of FX but such funding is booked onshore as investment in the records of the investee firm.

[63] For details on the definition of foreign investments, International Monetary Fund's Balance of Payments and International Investment Position Manual, 6th Edition (BPM6) shall apply.

[64] "Control" is determined to exist if the direct non-resident investor owns more than 50 percent of the voting power in the resident enterprise.

[65] A "significant degree of influence" is determined to exist if the non-resident investor owns at least 10 percent of the voting power in the resident enterprise.

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a. (i) Assigned Capital and Operational Working Fund – for onshore branches/regional headquarters/regional operating headquarters and offices/representative offices; and (ii) Contributed Capital – for onshore partnerships/joint ventures;

b. Ownership or purchase of condominium unit; and

c. Capitalized expenses incurred by foreign firms pursuant to government-approved service contracts/similar contracts for oil, gas, and geothermal energy exploration/development.

2. *Foreign portfolio investment* is a cross-border transaction and position involving debt or equity securities, other than those included in foreign direct investment. This includes debt securities issued by the National Government and other public sector entities.

3. The following investment instruments may fall under the category of foreign direct investments or foreign portfolio investments depending on the degree of control or influence of the investor in the investee firm[66] which can be determined regardless of the investment instruments as defined under Sections 33.1 and 33.2:

a. Equity securities that are – (i) not listed; and (ii) listed at an onshore exchange [e.g., Philippine Stock Exchange (PSE)];

b. Debt securities (e.g., notes, bonds and non-participating preferred shares) issued by private sector residents that are not covered by the provisions of Part Three, Chapter I of the FX Manual (Loans/Borrowings and Guarantees) – (i) not listed; and (ii) listed at an onshore exchange [e.g., PSE, Philippine Dealing and Exchange Corporation (PDEX)];

c. Exchange traded funds (ETFs);

d. Investment funds [e.g., mutual funds (MFs) and unit investment trust funds (UITFs)]; and

e. Philippine Depositary Receipts (PDRs) that are – (i) not listed; and (ii) listed at an onshore exchange.

[66] Foreign Direct Investment: Investment instruments that meet the control and influence criteria under Section 33.1.
Foreign Portfolio Investment: Investment instruments that do not meet the control and influence criteria under Section 33.1.

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4. *Other investment* is a residual category of financial account other than those included in direct investment, portfolio investment and financial derivatives. This includes investment in peso time deposits with an AAB with a maturity of at least 90 days.

Loans/borrowings and guarantees are covered by Part Three, Chapter I of the FX Manual.

(As amended by Circular Nos. 794 dated 18 April 2013, 1030 dated 5 February 2019 and 1192 dated 11 April 2024)

Section 34. Inward Investments in Instruments Issued by Non-Residents. These refer to investments by non-residents in the following instruments issued by non-residents:

1. Equity securities issued onshore or offshore that are listed at an onshore exchange; and

2. Debt securities issued onshore that are – (a) not listed; and (b) listed at an onshore exchange.

(As amended by Circular Nos. 742 dated 21 November 2011, 937 dated 27 December 2016 and 1030 dated 5 February 2019)

Section 35. Other Forms of Investments. For registration purposes, these refer to investments by non-residents in instruments issued by residents and non-residents which are not covered by Sections 33, 34 and the provisions of Part Three, Chapter I of the FX Manual (Loans/Borrowings and Guarantees), and not contrary to applicable laws, rules and regulations.

(As amended by Circular Nos. 742 dated 21 November 2011, 794 dated 18 April 2013, 1030 dated 5 February 2019 and 1192 dated 11 April 2024)

Section 36. Registration with the BSP

1. The following inward investments shall be registered with the BSP:

Investment/Instrument		Section
a.	i. (a) Assigned Capital and Operational Working Fund – for onshore branches/regional headquarters/regional operating headquarters and offices/representative offices; and (b) Contributed Capital – for onshore partnerships/joint ventures; ii. Ownership or purchase of condominium unit; and iii. Capitalized expenses incurred by foreign firms pursuant to government-approved service contracts/similar contracts for oil, gas, and geothermal energy exploration/development	Section 33.1.a-c

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Investment/Instrument		Section
b.	Equity securities issued onshore by residents that are not listed at an onshore exchange	Section 33.3.a.(i)
c.	Debt securities issued onshore by private sector residents that are not listed at an onshore exchange and not covered by the provisions of Part Three, Chapter I of the FX Manual (Loans/Borrowings and Guarantees)	Section 33.3.b.(i)
d.	Investment funds created onshore by residents (e.g., MFs and UITFs) whether listed or not listed at an onshore exchange	Section 33.3.d
e.	PDRs that are not listed at an onshore exchange	Section 33.3.e.(i)
f.	Debt securities issued onshore by non-residents that are not listed at an onshore exchange	Section 34.2.a
g.	Instruments issued by residents and non-residents which are not covered by Sections 33, 34 and the provisions of Part Three, Chapter I of the FX Manual (Loans/Borrowings and Guarantees), and not contrary to applicable laws, rules and regulations	Section 35
h.	Instruments under Section 36.1(a-g) used as collateral involving transfer of legal/beneficial ownership of the collateral to the non-resident investor[67]	-

2. FX inwardly remitted to fund investments under Section 36.1 need not be converted to pesos, except for the following:

a. foreign direct investments in foreign bank branches' permanently assigned capital with such conversion to be made at the exchange rate prevailing at the time of remittance, pursuant to applicable laws and the Manual of Regulations for Banks (MORB); and

b. if investment is required to be funded by pesos.

3. For new/additional[68] investment/s of a non-resident investor, all applications for registration of inward investments (Annex W) under Section 36.1 shall be filed with the BSP within one (1) year from applicable reckoning date under Appendix 10.A.

4. The guidelines on registration/reporting of investments and supporting documents (Appendices 10.A and 10.C) shall be duly observed/ complied with.

(As amended by Circular Nos. 743 dated 15 December 2011, 794 dated 18 April 2013, 818 dated 6 November 2013, 918 dated 2 August 2016, 925 dated 13 September 2016, 1030 dated 5 February 2019, 1124 dated 10 August 2021, 1171 dated 29 March 2023 and 1192 dated 11 April 2024)

[67] Investments in instruments under Section 36.1 (a-g) arising from return/refund of collateral shall be registered with the BSP.

[68] Those arising from purchase of additional shares, stock splits, corporate restructuring and other similar cases.

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Section 37. Registration with the BSP through AABs

1. Investments in the following instruments shall be registered upon reporting thereof by the registering AAB to the BSP; *Provided*, that the applicable guidelines on registration/reporting of investments and supporting documents (Appendices 10.B and 10.C) are duly complied with:

Investment/Instrument		Section
a.	Debt securities issued onshore by the National Government and other public sector entities	Section 33.2
b.	Equity securities issued onshore by residents that are listed at an onshore exchange (e.g., PSE)	Section 33.3.a.(ii)
c.	Debt securities issued onshore by private sector residents that are listed at an onshore exchange and not covered by the provisions of Part Three, Chapter I of the FX Manual (Loans/Borrowings and Guarantees)	Section 33.3.b.(ii)
d.	ETFs issued/created onshore by residents	Section 33.3.c
e.	PDRs that are listed at an onshore exchange	Section 33.3.e.(ii)
f.	Peso time deposits with an AAB with a maturity of at least 90 days	Section 33.4
g.	Equity securities issued onshore or offshore by non-residents that are listed at an onshore exchange	Section 34.1
h.	Debt securities issued onshore by non-residents that are listed at an onshore exchange	Section 34.2.b
i.	Instruments under Section 37.1 (a-h) used as collateral involving transfer of legal/beneficial ownership of the collateral to the non-resident investor[69]	-

2. A registering AAB is a bank with authority to operate an FCDU that has been designated by the non-resident investor to report and monitor his investments. The registering AAB shall regularly report all transactions, including new/additional investment/s of a non-resident investor, using the prescribed forms within the prescribed deadline as provided in Appendix 10.B.

3. FX inwardly remitted to fund investments under Section 37.1 must be converted to pesos with AABs/AAB forex corps except if investment is required to be funded by FX.

4. The non-resident investor or his duly authorized representative shall submit to each designated registering AAB a duly accomplished "Authority to Disclose Information"[70] in the prescribed format (Appendix 10.4) covering all his investments registered with each designated registering AAB.

(As amended by Circular Nos. 794 dated 18 April 2013, 815 dated 18 October 2013, 838 dated 20 June 2014, 1030 dated 5 February 2019 and 1192 dated 11 April 2024)

[69] Investments in instruments under Section 37.1 (a-h) arising from return/refund of collateral shall be registered with AABs.

[70] The "Authority to Disclose Information" submitted to a registering AAB shall cover all investments existing as of date of the authority, as well as any subsequent investments of said non-resident investor.

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Section 38. Servicing of Investments[71]

1. BSP-registered investments shall be entitled to full and immediate repatriation of capital and remittance of related earnings thereon using FX resources of AABs/AAB forex corps.

2. AABs/AAB forex corps may sell to the non-resident investor or his authorized representative (whether resident or non-resident) the equivalent FX of the peso sales/ divestment proceeds and related earnings from BSP-registered investments, upon submission to the FX selling institution of a duly accomplished and signed Application to Purchase FX (Annex A), with the document/s listed under Appendix 1.4.

3. a. FX sold by AABs/AAB forex corps for repatriation of capital and remittance of related earnings shall be directly remitted to the account (whether onshore or offshore) of the non-resident investor or his intended beneficiary on the date of FX sale, except as indicated in item (b) below.

b. In the case of investments in instruments under Sections 33.1 (foreign direct investment) and 33.3.a.(i) (equity securities not listed at an onshore exchange), FX sold may also be credited to the FCDU account of the non-resident investor's resident agent/authorized representative with the FX selling AAB (or another AAB) for: (i) future reinvestment onshore; or (ii) eventual remittance to the intended beneficiary; *Provided*, that the applicant purchaser shall certify that: (i) the crediting of funds to the FCDU account of the designated resident agent/authorized representative is duly authorized by the non-resident investor; (ii) the FX shall be used for the declared purpose; (iii) funds credited to the FCDU account shall eventually be remitted to the non-resident investor or his intended beneficiary unless intended to be reinvested onshore; and (iv) the applicant purchaser shall include the purpose of the remittance in the remittance instructions to the remitting bank.

c. The remitting bank shall report the FX remittances to BSP under the applicable schedule/s of FX Form 1, based on the instructions of, and declared purpose by, the FX purchaser and in accordance with the guidelines under Appendices 10.A and 10.B.

4. For excess pesos arising from unrealized investments[72], AABs/ AAB forex corps may sell FX equivalent to: (a) the excess pesos that are funded by inward remittance of FX, computed as follows: peso proceeds of FX inward remittance less the peso amount actually used for onshore investment/s; plus (b) interest earned on the excess pesos, if any, subject to the following:

a. At least 50 percent of the inwardly remitted FX should have been invested onshore. For: (i) disapproved subscription/investments or oversubscriptions in equity and debt securities issued by residents and non-residents; (ii) erroneously remitted funds relating to

[71] Including refund of taxes or erroneously withheld taxes related to BSP-registered foreign investments

[72] Unrealized investments refer to investments of non-resident investors that did not materialize.

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investments; and (iii) similar cases relating to investments, AABs/AAB forex corps may sell the FX equivalent of excess pesos arising therefrom without complying with the 50 percent minimum utilization under this item; and

b. Submission to the FX selling institution of a duly accomplished and signed Application To Purchase FX (Annex A), with the documents listed in Appendix 1.4.

The remitting bank shall report the FX remittance to BSP using the prescribed form (Annex AA).

5. AABs/AAB forex corps may likewise sell FX upon submission to the FX selling institution of a duly accomplished and signed Application to Purchase FX (Annex A), with the documents listed under Appendix 1.4, for the following:

a. Settlement of FX obligations/payables of residents to non-resident investors relative to FX-denominated equity and debt securities issued by residents that are not covered by the provisions of Part Three, Chapter I of the FX Manual (Loans/Borrowings and Guarantees); and

b. Remittance in equivalent FX of peso proceeds from onshore sale by non-resident issuer of their equity and debt securities under Section 34.

The remitting bank shall report the FX remittances to BSP under the relevant schedule/s of FX Form 1/1A, as applicable, based on instructions of, and purpose declared by, the FX purchaser.

(As amended by Circular Nos. 1030 dated 5 February 2019, 1124 dated 10 August 2021 and 1192 dated 11 April 2024)

Section 39. (Reserved)

(As amended by Circular No. 1030 dated 5 February 2019)

Section 40. (Reserved)

(As amended by Circular No. 1030 dated 5 February 2019)

Section 41. Deposit of Peso Divestment/Sales Proceeds. Pending onshore reinvestment or repatriation offshore in equivalent FX, peso divestment/sales proceeds of duly registered investments, as well as related earnings thereon, may be deposited temporarily in the peso account of the non-resident investor held with any AAB. The eventual repatriation in equivalent FX of such peso proceeds, including interest earned (net of

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applicable taxes), shall be effected in full through any AAB without prior BSP approval in accordance with the guidelines in Appendices 10.A and 10.B.

(As amended by Circular Nos. 794 dated 18 April 2013 and 1030 dated 5 February 2019)

Section 42. Reinvestment. Non-resident investors may reinvest onshore peso divestment/sales proceeds and/or earnings on their duly registered onshore investments. It is understood that the new investments shall be registered with the BSP or registering AABs, as provided under Sections 36 and 37, if the repatriation of capital/divestment proceeds and the remittance of earnings on the new investment which accrued thereon shall be funded with FX resources of AABs/AAB forex corps.

(As amended by Circular Nos. 794 dated 18 April 2013 and 1030 dated 5 February 2019)

Chapter III

OUTWARD INVESTMENTS

Section 43. General Policy. The BSP supports residents' legitimate outward investments in line with the increasing globalization of the Philippine economy.

1. Residents may invest in any instrument requiring settlement in FX without prior BSP approval, where such investments are funded with:

   a. the investors' own FX deposited in their foreign currency deposit account/s (whether offshore or onshore); and/or
   b. FX obtained from sources other than AABs/AAB forex corps.

2. Residents may invest in instruments covered by Section 44 without prior BSP approval, funded with FX resources of AABs/AAB forex corps in amounts of up to USD60 million or its equivalent in other foreign currency per investor per year, or per fund per year subject to compliance with all applicable laws, rules and regulations, including the bank's "Know Your Customer" policy and existing regulations on anti-money laundering.

3. Resident investors may purchase FX in excess of the USD60 million annual threshold without prior BSP approval; *Provided,* that the investor shall submit to the BSP a notification (Annex U) at least 15 banking days after determination that total FX requirements will exceed the threshold and present to the FX selling institution a copy of the notice duly received/acknowledged by the BSP.

4. Investments by banks and non-bank financial institutions with quasi-banking functions are not covered by the provisions of this Section but

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shall be subject to prudential regulations of the BSP (e.g., MORB/MORNBFI) and other applicable laws, rules and regulations.

5. FX received by residents representing dividends/earnings and/or divestment proceeds from investments made under this Section may be freely disposed of and need not be inwardly remitted and sold for pesos.

6. FX sold for investments to be made by residents under this Section shall either be:

a. remitted directly to the account of the intended beneficiary (e.g., non-resident investee firm, fund manager, broker/dealer, and/or non-resident parent company/subsidiary) on the date of FX sale; or

b. credited to the resident investor's FCDU account with the FX selling AAB (or another AAB) for eventual remittance to the intended beneficiary for funding of the resident's investment; *Provided*, that the applicant purchaser shall certify that: (i) the FX shall be used for the declared purpose; (ii) funds credited to the FCDU account shall eventually be remitted to the intended beneficiary; and (iii) the applicant purchaser/resident investor shall include in the remittance instructions to the remitting bank the purpose of remittance.

The remitting bank shall report the FX remittances to BSP under the relevant schedule/s of FX Form 1/1A, as applicable, based on instructions of, and purpose declared by, the FX purchaser.

7. AABs/AAB forex corps shall submit a monthly report (Annex V) to the BSP on the sale of FX for investments covered by this Section, as well as investments by residents falling under resident to resident transactions under Part I, Chapter II hereof, within the prescribed deadline.

8. AABs/AAB forex corps may sell FX for investments to be made by residents covered by Section 44, upon submission to the FX selling institution of a duly accomplished and signed Application to Purchase FX (Annex A), with documents listed under Appendix 1.4. All FX sold shall be consolidated for purposes of determining compliance with the threshold under item 2 of this Section.

(As amended by Circular Nos. 1030 dated 5 February 2019 and 1124 dated 10 August 2021)

Section 44. Outward Investments by Philippine Residents. Residents may invest in any form of instruments issued/created offshore by non-residents (except foreign currency deposit accounts offshore) to be funded by FX resources of AABs and AAB forex corps, as well as those issued/created

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onshore by non-residents requiring settlement in foreign currency, that are not contrary to applicable Philippine laws, rules and regulations.

(As amended by Circular No. 1030 dated 5 February 2019)

PART FOUR. OFFSHORE BANKING UNITS, REPRESENTATIVE OFFICES AND FOREIGN CURRENCY DEPOSIT UNITS

Chapter I

OFFSHORE BANKING UNITS OF FOREIGN BANKS

Section 45. Definition of Terms. As used in this Chapter, the following terms shall have the meaning indicated unless the context clearly indicates otherwise:

1. "Offshore Banking" shall refer to the conduct of banking transactions in foreign currencies involving the receipt of funds principally from external sources and, as allowed in this Manual, from internal sources and utilization of such funds, as provided herein.

2. "Offshore Banking Unit" or "OBU" shall refer to a branch, subsidiary, or affiliate of a foreign banking corporation which is duly authorized by the BSP to transact offshore banking business in the Philippines.

3. "Net office funds" shall refer to the net credit balance of the "Due to Head Office (HO)/Branches" after deducting the "Due from HO/Branches", as shown in the following computation:

Due to HO/Branches

Remittances/Advances/Deposits to OBU by HO/Branches	x x x x x x x
Unremitted earnings of OBU	x x x x x x x
T o t a l	USD x x x x x x x
Less: Due from HO/Branches	
Remittances/Advances/Deposits of OBU with its HO/Branches	x x x x x x x
Net Office Funds	USD x x x x x x x

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4. "Deposits" shall refer to funds in foreign currencies which are accepted and held by an OBU in the regular course of business, with the obligation to return an equivalent amount to the owner thereof, with or without interest.

5. "Resident" shall refer to –

a) an individual citizen of the Philippines residing therein; or
b) an individual who is not a citizen of the Philippines but is permanently residing[73] therein; or
c) a corporation or other juridical person organized under the laws of the Philippines; or
d) a branch, subsidiary, affiliate, extension office or any other unit of corporations or juridical persons which are organized under the laws of any country and operating in the Philippines, except OBUs.

6. "Non-resident" shall refer to an individual, a corporation or other juridical person not included in the definition of resident.

7. "Foreign Currency Deposit Unit" or "FCDU" shall refer to that unit of a local bank or of a local branch of a foreign bank authorized by the BSP to engage in foreign currency-denominated transactions, pursuant to the provisions of Republic Act No. 6426 (Foreign Currency Deposit Act) dated 4 April 1974, as amended.

8. "Local bank" shall refer to a rural bank (RB)/cooperative bank (Coop Bank), thrift bank (TB), commercial bank (KB) or universal bank (UB) organized under the laws of the Republic of the Philippines.

9. "Local branch of a foreign bank" shall refer to a branch of a foreign bank doing business in the Philippines, pursuant to the provisions of Republic Act No. 7653, Republic Act No. 8791, and Republic Act No. 7721, as amended.

10. "Acceptable foreign exchange" comprise those foreign currencies which are acceptable to and exchangeable at the BSP and which form part of the international reserves of the country.

(As amended by Circular Nos. 937 dated 27 December 2016 and 1124 dated 10 August 2021)

Section 46. Approvals Required. A foreign bank may operate an OBU in the Philippines, upon issuance of a Certificate of Authority to operate by the Monetary Board and registration with the SEC.

[73] Residents include any individual, citizen or otherwise, who has resided in the Philippines for a year or longer, as defined in Section 83 of the IMF Balance of Payments Textbook, 1996.

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Section 47. Criteria for Selection. The following factors shall serve as basis for the issuance of certificate of authority to operate an OBU: (1) liquidity and solvency positions; (2) net worth and resources; (3) managerial and international banking expertise of applicant bank; (4) contribution to the Philippine economy; and (5) other relevant factors, such as participation in the equity of local UBs/KBs and appropriate geographic representations.

Section 48. Pre-Operation Requirements. Upon advice from the BSP, a qualified bank shall submit a sworn undertaking of its head office through any of its duly authorized officers, supported by an appropriate resolution of its board of directors, to the effect that it shall:

1. provide, on demand, the necessary currencies to cover liquidity needs that may arise or other shortfall that its OBU may incur;

2. manage the operations of its OBU soundly and with prudence;

3. continually train a specific number of Filipinos in international banking and foreign exchange trading with a view to reducing the number of expatriates;

4. provide and maintain in its OBU at all times net office funds in the minimum amount of USD1 million;

5. start operations of its OBU within 180 days from receipt of its certificate of authority to operate such unit;

6. comply with all applicable local laws relating to labor and employment; and

7. submit, before start of operations, other documents as may be required by the BSP such as certification or similar documents showing that it is duly authorized by the proper government entity of its country to engage in offshore banking business in the Philippines.

Section 49. Annual Fee. Upon issuance of a certificate of authority to operate an OBU in the Philippines, and yearly thereafter, the authorized bank shall pay the BSP a fee of not less than USD20,000.00.

Section 50. Transactions with Non-Residents and/or with Other OBUs. An OBU may freely engage in all normal banking transactions with non-residents and/or with other OBUs, involving any currency other than the Philippine peso.

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Section 51. Transactions with Foreign Currency Deposit Units (FCDUs)/ Expanded Foreign Currency Deposit Units (EFCDUs). Subject to BSP regulations, an OBU may engage in the following transactions with FCDUs/EFCDUs of local banks in any currency other than the Philippine peso:

1. Accept time, savings and demand deposits or issue negotiable certificates of time deposit;

2. Borrow with maturities not exceeding 360 days;

3. Deposit;

4. Extend loans and advances;

5. Deal in foreign currency financial instruments;

6. Discount bills, acceptances, and negotiable certificates of deposits;

7. Engage in foreign exchange trading;

8. Engage in foreign currency, foreign currency swap; and

9. Engage in such other transactions as authorized under this Section between OBUs and resident banks authorized to accept foreign currency deposits under the provisions of Republic Act No. 6426, as amended.

Interbank short-term transactions of not exceeding 360 days such as credit lines of Philippine banks with correspondent banks, interbank call loans and interbank loans for general liquidity purposes shall not require prior BSP approval.

Section 52. Transactions with Residents which are not Banks. An OBU may engage in the following transactions with residents which are not banks:

1. Deal in foreign currency financial instruments;

2. Extend foreign currency loans and advances, subject to existing regulations on foreign borrowings;

3. Service importations through LC, DA, OA and DP of resident-borrowers: *Provided,* that DA/OA imports coursed through and serviced by OBUs shall be subject to the reporting requirements under Appendix 4;

4. Negotiate inward (export) LCs and handle other export transactions (including DP, DA and OA) coursed through their worldwide network of branches and correspondents: *Provided*, That OBUs share in the total export LC negotiation business shall be limited to ½ of the growth (incremental) element in the country's total annual export. This limit shall be observed yearly until this

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equals ten percent (10%) of total exports. Exports not covered by LCs, i.e., done through DA/OA arrangements shall be considered subject to this overall limit;

5. Provide full foreign exchange service for all foreign currency non-trade and trade remittances resulting from or related to their own negotiation of export LCs;

6. Render financial, advisory and related services; and

7. Refinance trust receipts without prior BSP approval arising from import transactions of Philippine residents in U.S. dollars or in other acceptable foreign currencies. The refinancing shall be evidenced by banker's acceptances.

However, OBUs may hold peso-denominated assets arising from restructuring or other repayment scheme of outstanding loans, subject to the terms and conditions of the approval of such restructuring/other repayment scheme and to the following clarifications and conditions:

a. That term 'assets' as used in this Section shall refer to bonds or other certificates of indebtedness, shares of stocks and other properties;

b. That bonds or other certificates of indebtedness issued by a third party as well as shares of stocks and other properties acquired as a result of restructuring/other payment scheme shall be accounted for in accordance with Philippine Financial Reporting Standards (PFRS) 9; and

c. That shares of stock and other properties acquired as a result of restructuring/other repayment scheme shall be sold/disposed of within a period of five (5) years from date of acquisition.

(As amended by Circular Nos. 1124 dated 10 August 2021 and 1197 dated 12 July 2024)

Section 53. Peso Deposits. OBUs may open and maintain peso deposit accounts with AABs exclusively for the following purposes:

1. To meet administrative and other operating expenses, such as salaries, rentals and the like;

2. To pay the peso equivalent of foreign exchange sold by beneficiaries of inward remittances of Filipino overseas workers or of Filipino or multinational companies, coursed through the OBUs' correspondent banks abroad;

3. To pay the designated beneficiaries in the Philippines the peso equivalent of foreign exchange inward remittances other than those related to (a) trade, or (b) inward foreign investments that are intended to be serviced using foreign exchange purchased from AABs or AAB-forex corps; and

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4. To pay the peso equivalent of FX sold by beneficiaries of export LCs negotiated with the OBUs.

The peso deposit accounts shall be funded exclusively by inward remittances of foreign exchange eligible to form part of the Philippine international reserves.

OBUs may also sell inward remittances of foreign exchange for pesos to the BSP through the Treasury Department, for credit to the demand deposit account of the designated AABs for the account of the OBU.

(As amended by Circular No. 1124 dated 10 August 2021)

Section 54. Financial Assistance to Officers/Employees. OBUs may extend financial assistance (real estate, car, personal loans, etc.) in local or foreign currency to their Filipino officers and employees as part of their fringe benefit program.

They may likewise grant foreign currency loans to their expatriate officers without need for BSP approval.

Section 55. Secrecy of Deposits. The provisions of Republic Act No. 6426, as amended, shall apply to deposits in OBUs; *Provided*, That numbered deposit accounts shall not be used.

Section 56. Exemption from Certain Laws. The provisions of Republic Act No. 2655 (Usury Law) dated 1 May 1915, as amended[74], and Republic Act No. 3591 (An Act Establishing the Philippine Deposit Insurance Corporation) dated 22 June 1963, as amended, shall not apply to transactions and/or deposits in OBUs in the Philippines.

Section 57. Accounting and Reporting. OBUs shall maintain an accounting system in accordance with guidelines prescribed by the BSP. Periodically or as required, existing reports shall continue to be submitted in the prescribed forms to the BSP.

Section 58. Supervision. The operations and activities of OBUs shall be conducted under the supervision of the BSP.

[74] Suspended by CBP Circular No. 905-82 dated 10 December 1982, effective 1 January 1983.

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Section 59. Taxes, Customs Duties. Transactions of OBUs in the Philippines shall be subject to such taxes as are prescribed in Presidential Decree No. 1034 (Authorizing the Establishment of an Offshore Banking System in the Philippines) dated 30 September 1976, as implemented by regulations of the BIR.

Section 60. Revocation/Suspension. The Monetary Board, upon recommendation of the Governor, may revoke or suspend the authority of an OBU to operate in the Philippines for violation of Presidential Decree No. 1034 or relevant provisions of this Manual.

Chapter II

REPRESENTATIVE OFFICES OF FOREIGN BANKS

Section 61. Definition of Terms. As used in this Chapter, the following terms shall have the meaning indicated unless the context clearly indicates otherwise:

1. "Foreign Bank" shall refer to a bank or banking corporation formed, organized and existing under any foreign law.

2. "Representative Office" shall refer to a liaison office of a foreign bank which deals directly with the public by promoting and giving information about the services offered by the foreign bank. It does not include the regional or area headquarters of a foreign bank registered and licensed under existing laws.

Section 62. Criteria for Approval. The Monetary Board may authorize qualified foreign banks to open representative offices in the Philippines if, in its judgment, the public interest and economic conditions, both general and local, justify the establishment of such office. The following factors, among others, shall serve as basis for issuance of authority to open a representative office in the Philippines: (1) liquidity and solvency positions; (2) net worth and resources; (3) financial and credit standing in the international banking community; (4) exposure in the Philippines; and (5) other relevant factors, such as Philippine commercial and financial relationships with the country where applicant bank is based.

Section 63. Authorized Activities of Representative Offices. Authorized representative offices may promote and provide information about the services/products offered by the foreign banks but may not transact banking business, such as acceptance of deposits, issuance of letters of credit and foreign exchange trading. Transactions generated through the promotional efforts of the representative office may be booked only by the foreign bank abroad.

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Section 64. Fees. Foreign banks intending to establish a representative office shall, upon issuance by the BSP of a Certificate of Authority, pay the BSP a license fee of USD2,000.

Section 65. Use of the term "Representative Office". Foreign banks authorized to operate representative offices shall, in their representation with the public, carry with their name the additional term "Representative Office" to properly guide the public on the nature and extent of their activities.

Section 66. Licensing. The licensing and operations of representative offices including the implementation of these regulations and such other rules and regulations that may be issued from time to time shall be the responsibility of the BSP Financial Supervision Sector (BSP-FSS).

(As amended by Circular No. 1086 dated 6 May 2020)

Section 67. Visitorial Power. The BSP may, from time to time, look into the affairs of the representative offices to determine the extent of their compliance with these regulations and/or other related BSP issuances.

Section 68. Reporting. Representative offices shall submit to the BSP annual reports of their Head Office and, periodically as may be required, reports on the transactions of their Head Office in the Philippines in such form as may be prescribed for the purpose.

Section 69. Revocation of License. The Monetary Board may revoke the license of a representative office if it finds after due investigation that: (1) the representative office or its officers have violated the provisions of this Manual and any other applicable rules and regulations of the BSP; or (2) its Head Office is found to be in imminent danger of insolvency or that its continuance in business will involve probable loss to those transacting business with it, pursuant to Section 37 of Republic Act No. 7653, and Section 78 of Republic Act No. 8791.

Chapter III

FOREIGN CURRENCY DEPOSIT SYSTEM

Section 70. Definition of Terms. As used in this Chapter, the following terms shall have the meaning indicated unless the context clearly indicates otherwise:

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1. "Foreign Currency Deposit Unit" (FCDU) and "Expanded Foreign Currency Deposit Unit" (EFCDU) shall refer to a unit of a local bank or of a local branch of a foreign bank authorized by the BSP to engage in foreign currency-denominated transactions, pursuant to the provisions of Republic Act No. 6426, as amended.

2. "Local bank" shall refer to an RB/Coop Bank, TB, KB or UB organized under the laws of the Republic of the Philippines.

3. "Local branch of a foreign bank" shall refer to a branch of a foreign bank doing business in the Philippines, pursuant to the provisions of Republic Act No. 7653, Republic Act No. 8791, and Republic Act No. 7721, as amended.

4. "Short-term" loans and securities shall refer to those with maturities of one (1) year or less.

5. "Medium-term" loans and securities shall refer to those with maturities of more than one (1) year but not more than five (5) years.

6. "Long-term" loans and securities shall refer to those with maturities of more than five (5) years.

The definition of such other terms used in this Chapter shall be consistent with the definition of terms used under the Chapters on OBUs and Representative Offices of Foreign Banks.

(As amended by Circular No. 937 dated 27 December 2016)

Section 71. Qualification Requirements[75]

1. A UB/KB and IB may be authorized to operate an EFCDU while a TB, Digital Bank, and RB/Coop bank may be authorized to operate an FCDU: *Provided*, That the prudential criteria and the pre-qualification requirements for the corresponding license type under Section 111 and Appendix 5 of the MORB, respectively, are met.

2. A bank seeking to operate an FCDU or EFCDU shall submit the following documents to the appropriate supervising department of the BSP:

   a. Application letter for a type A license or notification letter for a type C license, as applicable, signed by the president, or officer of equivalent rank, with justification on how the license is aligned with the bank's business model and strategic direction;

[75] Banks with existing E/FCDU license may continue to operate the same license provided that it complies with the standard pre-qualification and prudential requirements under Section 111 *(Prudential Criteria)* of the MORB, as amended, on a continuing basis. Such banks shall have the option to apply for a new license following the foregoing provisions.

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b. Corporate secretary's certificate on the approval of the board of directors (or equivalent management committee in the case of foreign bank branches) to operate an FCDU or EFCDU; and

c. Certification signed by the president, or the officer of equivalent rank, and the chief compliance officer certifying that the bank has complied with all the prudential criteria and the pre-qualification requirements for the grant of authority to operate an FCDU or EFCDU.

(As amended by Circular Nos. 937 dated 27 December 2016, 1086 dated 6 May 2020 and 1134 dated 28 December 2021)

Section 72. Authorized Transactions

1. A TB, Digital Bank, or RB/Coop Bank which is granted authority to operate an FCDU is authorized to engage in the following transactions in any acceptable foreign currency: *Provided,* That, these are allowed under the bank's existing powers and scope of authorities:

a. Accept deposits and trust accounts (for banks authorized to engage in trust operations) from residents and non-residents;

b. Deposit, regardless of maturity, with foreign banks abroad, OBUs and other FCDUs/EFCDUs;

c. Invest in readily marketable foreign currency denominated debt instruments subject to the requirements under existing regulations. For this purpose, 'readily marketable' debt instruments shall refer to debt instruments that are quoted in an active market and the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis;

d. Grant short-term foreign currency loans as may be allowed by BSP regulations: *Provided*, That FCDUs of RBs/Coop Banks shall not grant loans to producers/manufacturers, including oil companies and public utility concerns;

e. Borrow, subject to existing rules on foreign/foreign currency borrowings, (i) from EFCDUs, foreign banks abroad and OBUs, regardless of maturity; and (ii) from other FCDUs, on short-term maturity;

f. Engage in foreign currency stand-alone derivatives referencing currency pairs not including the Philippine peso, as specifically allowed under Section 613 of the MORB and other existing regulations;

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g. Engage in securities lending activities as lender *Provided,* That it shall comply with the Securities and Exchange Commission (SEC) regulations on securities lending transactions and/or with the guidelines of the organized market in which the deal is transacted;

The foreign currency denominated debt securities lent or used as collateral by the borrowing bank in securities lending and borrowing transactions shall be considered as eligible asset cover for the 100% cover requirement.

h. Engage in repurchase agreements involving foreign currency denominated debt securities pursuant to Section 242 of the MORB, subject to the following conditions:

1) The borrowings shall only be from FCDUs/EFCDUs, non-resident financial institutions and OBUs;

2) The maximum term of the repurchase agreements shall be one (1) year;

3) The borrowings shall be booked under "Bills Payable" and included in the computation of the total FCDU/EFCDU liabilities, subject to the mandatory 100 percent asset cover; and

4) The foreign currency-denominated debt securities sold or used as additional collateral in repurchase agreement shall be considered as eligible asset cover for the 100% cover requirement.

i. Purchase foreign currency denominated debt securities under resale agreements from other banks' FCDU/EFCDU, non-resident financial institutions and OBUs, subject to the following conditions:

1) That the maximum term of the resale agreements shall be one (1) year; and

2) That such debt securities purchased under resale agreements shall be classified as Loans and Receivables Arising from Repurchase Agreements/Certificates of Assignment/Participation with Recourse and Securities Lending and Borrowing Transactions.

j. Issue capital instruments subject to the requirements under existing regulations;

k. Except RBs/Coop Banks, engage in USD-denominated repurchase agreements (R/P) with the BSP as provided under Section 601 of the MORB.

The Monetary Board may at its discretion impose the sanctions for violations of the provisions on the terms and conditions of the USD-denominated R/P agreement with the BSP under Section 601 of the

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MORB to a bank and/or its director/s, officer/s, or employees found to be responsible for violation of Item "1(k)" of this Section.

2. A UB/KB or IB which is authorized to operate under the expanded foreign currency deposit system may engage in the following transactions in any acceptable foreign currency:

a. Accept deposits and trust accounts (for banks authorized to engage in trust operations) from residents and non-residents;

b. Deposit with foreign banks abroad, OBUs and other FCDUs/EFCDUs;

c. Invest in foreign currency-denominated debt instruments;

d. Grant foreign currency loans as may be allowed by the Bangko Sentral;

e. Borrow from other FCDUs/EFCDUs and from non-residents and OBUs, subject to existing rules on foreign borrowings;

f. Engage in foreign currency stand-alone derivatives referencing currency pairs not including the Philippine peso, as specifically allowed under Section 613 of the Manual of Regulations for Banks and other existing regulations;

g. Engage in foreign exchange trading;

h. On request/instructions of its foreign correspondent bank, it may:

1) issue letters of credit for a non-resident importer in favor of a non-resident exporter;

2) pay, accept, or negotiate drafts/bills of exchange drawn under the letter of credit; and

3) make payment to the order of the non-resident exporter.

Provided, That the foreign correspondent bank shall deposit sufficient foreign exchange with the EFCDU issuing the letter of credit to cover all drawings;

i. Engage in direct purchase of export bills of resident exporters subject to the following conditions:

1) Export transactions covered by usance or sight letters of credit shall be allowed to be purchased by EFCDUs; and

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2) Export bills negotiated/purchased by the bank's Regular Banking Unit (RBU) and outstanding in its books shall not be allowed to be purchased by its EFCDUs.

j. Engage in securities lending activities as lender: *Provided,* That it shall comply with the SEC regulations on securities lending transactions and/or with the guidelines of the organized market in which the deal is transacted;

k. Engage in repurchase agreements involving foreign currency denominated debt securities pursuant to Section 242 of the MORB and subject to the conditions as enumerated in Item 1.h of this Section, except Item 1.h(2);

l. Invest in foreign currency denominated structured products issued by banks and special purpose vehicles (SPVs) subject to the provisions in Section 613 of the MORB;

m. Purchase foreign currency denominated debt securities under resale agreements from other banks' FCDU/EFCDU, non-resident financial institutions and OBUs.

Such debt securities purchased under resale agreements shall be classified as Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions.

n. Issue capital instruments subject to the requirements under existing regulations;

o. Engage in USD-denominated repurchase agreements (R/P) with the Bangko Sentral as provided under Section 601 of the MORB.

The Monetary Board may at its discretion impose any or all of the sanctions for violations of the provisions on the terms and conditions of the USD-denominated R/P agreement with the BSP under Section 601 of the MORB to a bank and/or its director/s, officer/s, or employees found to be responsible for violation of Item "2(o)" of this Section.

3. The foreign currency funds of the bank's FCDU/EFCDU may be lent to the bank's RBU: *Provided,* That no interest shall be charged on the lending: *Provided, further,* That the loan shall be for a period of one (1) year or less, in the case of FCDU. EFCDU, however, will be allowed to lend to RBU in tenors that are more than one (1) year. Balance of FCDU/EFCDU loan to RBU shall be settled on gross basis by way of actual transfer of foreign currency assets from the RBU books to the FCDU/EFCDU books: *Provided,* That no gain or loss shall be recorded on the transfer of foreign currency assets from RBU to FCDU/EFCDU to facilitate settlement of FCDU/EFCDU loans to RBU.

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The lending from FCDU/EFCDU to RBU shall be booked as "Loans to RBU by FCDU/EFCDU" in the FCDU/EFCDU books and "Loans by RBU from FCDU/EFCDU" in the RBU books. The "Loans to RBU by FCDU/EFCDU" account balance shall qualify as eligible asset cover for FCDU/EFCDU liabilities.

(As amended by Circular Nos. 1086 dated 6 May 2020, 1119 dated 7 June 2021, 1134 dated 28 December 2021, and 1197 dated 12 July 2024)

Section 73. Foreign Currency Cover Requirements and Risk Management on Foreign Currency Transactions and Positions.

Depository banks under the foreign currency deposit and expanded foreign currency deposit systems shall maintain at all times a 100% cover for their foreign currency liabilities, except for USD-denominated repurchase agreements (R/P) with the BSP. *Provided*, That violation of the terms and conditions of the USD-denominated R/P facility shall subject the borrowings of the bank under the R/P facility to the FCDU/EFCDU asset cover requirements. For purposes of complying with these requirements, the principal offices in the Philippines of the authorized banks and all their branches located therein shall be considered a single unit. The foreign currency cover shall consist of the net carrying amount of the following:

1. For banks authorized to operate an FCDU:

    a. Foreign currency cash on hand;

    b. Foreign currency checks and other cash items;

    c. Due from BSP – Foreign Currency;

    d. Due from other banks (other FCDUs/EFCDUs, OBUs, and non-resident banks);

    e. Derivatives with Positive Fair Value Held for Trading and/or Hedging (Derivatives with Negative Fair Value Held for Trading and/or Hedging shall require corresponding asset cover);

    f. Investments in readily marketable foreign currency-denominated debt instruments, booked under the following control accounts: (i) Financial Assets Measured at Fair Value Through Profit or Loss; (ii) Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI); and (iii) Debt Securities Measured at Amortized Cost.

    Foreign currency-denominated debt securities sold/lent in repurchase agreement/securities lending and borrowing transactions shall be considered as eligible asset cover for the 100% asset cover requirement. The same treatment shall likewise apply to foreign currency denominated debt securities used as additional collateral in

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repurchase agreements or as collateral by borrowing bank in securities lending and borrowing transactions.

g. Foreign currency loans and receivables as allowed by the BSP, booked under the following:

i. Loans to BSP
ii. Interbank loans receivable
iii. Loans and receivables – others

Provided, that all applicable banking rules and regulations are complied with, including the single borrower's limit as provided in the MORB;

h. Loans and receivables arising from repurchase agreements, certificates of assignment/participation with recourse, and securities lending and borrowing transactions;

i. Foreign currency accrued interest income from financial assets;

j. Accounts receivable, including those arising from sale of financial assets under the trade date accounting pending actual settlement/delivery of the underlying securities (Accounts payable arising from the purchase of financial assets under the trade date accounting pending actual settlement/receipt of the underlying securities shall require corresponding asset cover);

k. Loans to RBU: *Provided*, That the conditions under Section 72 are complied with;

l. Due From Head Office/Branches/Agencies Abroad – FCDU, up to the extent of the Due To Head Office/Branches/Agencies Abroad – FCDU. Any resulting balance of Net Due From Head Office/Branches/Agencies Abroad – FCDU shall not be eligible for 100% asset cover: *Provided,* That in the case of a designated clearing and settlement bank, Due From Head Office/Branches/Agencies Abroad – FCDU representing deposits placed in the Head Office up to the extent of the deposits maintained by other resident banks in the designated clearing and settlement bank (as defined under Item *"f"* of Section 342 of the MORB *on Transactions not covered*) relative to its function shall be considered as eligible asset cover for the 100% asset cover requirement; *Provided further,* That the designated clearing and settlement bank shall adopt appropriate control measures to ensure that such deposits placed in the Head Office are appropriately accounted for and segregated from the other items in the Due From Head Office/Branches/Agencies Abroad – FCDU Account; and

m. Such other assets as may be determined by the Monetary Board as eligible asset cover.

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2. For banks authorized to operate an EFCDU – The foregoing accounts, regardless of maturity, and in the case of investment in foreign currency denominated debt instruments, regardless of maturity and marketability, shall be considered as eligible asset cover.

In addition, the following shall also be considered as eligible asset cover:

a. Loans and Receivables granted by EFCDU: *Provided*, That all applicable banking rules and regulations are complied with including single borrower's limit as provided in Section 362 of the MORB;

b. Outstanding Export Bills Purchased in the EFCDU books, booked under the following control accounts:

i. Interbank loans receivable - if without recourse
ii. Loans and receivables – others - if with recourse

For this purpose, net carrying amount shall refer to the gross amount of financial asset, plus or minus, as the case may be, the following: (i) unamortized premium/(discount) determined using the effective interest method; (ii) any accumulated market gains/(losses) in the case of AFS financial assets; and (iii) any allowance for credit losses determined based on existing regulations.

3. The 100% asset cover shall be unencumbered, except as otherwise provided in second paragraph of Item f of Section 73.1.

Banks are expected to regularly monitor compliance with the asset cover requirement, subject to the guidelines under Appendix 15b. In determining compliance with FCDU/EFCDU cover requirements, a bank shall be allowed to offset any deficiency in asset cover occurring in one (1) or more days of the week by the excess cover that it may hold on the same week and in the immediately succeeding week. A simple moving average for every two (2)-week reference period shall be used in the measurement of the asset cover. For purposes of monitoring FCDU/EFCDU asset cover, the week refers to business days from Monday to Friday.

The report on compliance with FCDU/EFCDU asset cover requirements shall be made available during on-site examination or when required by the BSP for submission for off-site verification. The bank shall continue to submit to the Department of Supervisory Analytics a certification under oath and signed by the bank's President or Country Manager, in the case of local branch of foreign banks, Compliance Officer and Head of Treasury, to the effect that the bank has fully complied with the FCDU/EFCDU asset cover requirements on all the moving two-week periods of the reference quarter.

The applicable template on certification of compliance with the FCDU/EFCDU cover requirements shall be Appendix 15a for UBs/KBs, IBs, Digital Banks, TBs, RBs/Coop Banks.

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4. A bank should have a risk management framework commensurate with the size, nature, complexity and risk profile of its foreign currency denominated positions and foreign exchange (FX) activities. This framework should cover all material risks from foreign currency denominated transactions including market risk, liquidity risk and operational risk, among others, in accordance with the existing risk management standards in the MORB. A bank should have strong governance arrangements that ensure the material risks are properly identified, measured, monitored and controlled and are integrated to the over-all risk management process.

5. The Due from Other Banks – Non-resident (DFOB-Non-Resident) account representing cover for foreign currency liabilities of FCDU/EFCDU shall be kept separate and distinct from the DFOB – Non Resident account for the regular banking unit (RBU).

(As amended by Circular Nos. 925 dated 13 September 2016, 946 dated 17 February 2017, 996 dated 08 February 2018, 1086 dated 6 May 2020, 1107 dated 23 December 2020, 1134 dated 28 December 2021, and 1197 dated 12 July 2024)

Section 74. Foreign Currency Deposits with the Bangko Sentral. Foreign currency deposit with the BSP equivalent to at least fifteen percent (15%) as a form of foreign currency cover referred to in Section 4 of Republic Act No. 6426, as amended, shall be optional on FCDUs/EFCDUs of UBs/KBs and FCDUs of TBs and RBs/Coop Banks. The BSP may pay interest on the foreign currency deposit and if requested, shall exchange the foreign currency notes and coins into foreign currency instruments drawn on its depository banks.

Section 75. Currency Composition of the Cover. FCDUs of TBs and RBs and Coop Banks shall maintain the foreign currency cover in the same currency as that of the corresponding foreign currency deposit liability until 31 December 2018. Starting 01 January 2019, TBs, RBs and Coop Banks may maintain the foreign currency cover in any foreign currency acceptable with the Bangko Sentral.

FCDUs/EFCDUs of UBs/KBs shall maintain not less than seventy percent (70%) of the foreign currency cover in the same currency as that of the liability and thirty percent (30%) or less, at the option of the FCDU/EFCDU, may be denominated in other acceptable foreign currencies until 31 December 2017. Starting 01 January 2018, UBs/KBs may maintain the foreign currency cover in any foreign currency acceptable with the BSP.

(As amended by Circular Nos. 946 dated 17 February 2017 and 996 dated 08 February 2018)

Section 76. Secrecy of Deposits. Pursuant to Republic Act No. 6426, as amended, all foreign currency deposits are declared as and considered of an absolutely confidential nature and, except upon the written permission of the

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depositor, in no instance shall such foreign currency deposits be examined, inquired or looked into by any person, government official, bureau or office whether judicial, administrative or legislative, or any other entity whether public or private.

The absolutely confidential nature of foreign currency deposits under Republic Act No. 6426, as amended, shall not apply in instances expressly provided under other special laws, including the following:

1. Directors, officers, stockholders, and related interests who contract a loan or any form of financial accommodation from their bank or related bank, and are required to execute a written waiver of secrecy of deposits of whatever nature in all banks in the Philippines, in accordance with Section 26 of Republic Act No. 7653 (New Central Bank Act), as amended;

2. A covered institution that reports foreign currency deposits in covered transaction reports or suspicious transaction reports to the Anti-Money Laundering Council (AMLC), pursuant to Section 9(c) of Republic Act No. 9160, as amended (The Anti-Money Laundering Act of 2001);

3. Upon order by the Court of Appeals, the AMLC may inquire into or examine foreign currency deposits, including related accounts, with any banking institution or non-bank financial institution in cases of violation of Republic Act No. 9160, as amended, when it has been established that the foreign currency deposits, including the related accounts involved, are related to an unlawful activity as defined in Section 3(i) of Republic Act No. 9160 or a money laundering offense defined under Section 4 thereof, pursuant to Section 11 of Republic Act No. 9160, as amended by Republic Act No. 10167;

4. Without need of court order, the AMLC may inquire into or examine foreign currency deposits with any banking institution or non-bank financial institution when probable cause exists that a particular foreign currency deposit, including related accounts involved, with any banking institution or non-bank financial institution is related to:

   a. Section 3(i)(1), (2) and (12) of Republic Act No. 9160, as amended, (i.e., kidnapping for ransom, violation of Republic Act No. 9165 or the Comprehensive Dangerous Drugs Act, hijacking and other violations under Republic Act No. 6235, destructive arson and murder as defined under the Revised Penal Code, including those perpetrated by terrorists against noncombatant persons and similar targets);

   b. Felonies and offenses of a nature similar to those mentioned in Section 3(i)(1), (2) and (12) of Republic Act No. 9160, as amended, which are punishable under the penal laws of other countries; and

   c. Terrorism and conspiracy to commit terrorism as defined and penalized under Republic Act No. 9372 (Human Security Act of 2007).

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The inquiry into or examination of foreign currency deposits by the AMLC in the abovesaid instances are in accordance with Section 11 of Republic Act No. 9160, as amended by Republic Act No. 10167.

5. The BSP may, to ensure compliance with Republic Act No. 9160, as amended, and in the course of periodic or special examination, check the compliance of a covered institution with the requirements of the Anti-Money Laundering Act and its implementing rules and regulations, pursuant to Section 11 of Republic Act No. 9160, as amended by Republic Act No. 10167;

6. The BSP is authorized to inquire into or examine foreign currency deposits when it conducts an annual testing solely limited to the determination of the existence and true identity of the owners of foreign currency non-checking numbered accounts, pursuant to Section 9 of Republic Act No. 9160, as amended;

7. The Philippine Deposit Insurance Corporation and the BSP are authorized to inquire into or examine foreign currency deposits and all information related thereto in case there is a finding of unsafe or unsound banking, in accordance with Section 9(8) of Republic Act No. 3591 (Philippine Deposit Insurance Charter), as amended;

8. The Commissioner of the Bureau of Internal Revenue, as provided in Section 3 of Republic Act No. 10021 (Exchange of Information on Tax Matters Act), is authorized to inquire into the foreign currency deposits and other related information held by financial institutions of:

a. a decedent to determine his gross estate;

b. any taxpayer who has filed an application for compromise of his tax liability by reason of financial incapacity to pay. In case a taxpayer files an application to compromise the payment of his tax liabilities, his application shall not be considered unless and until he waives in writing his privilege under Republic Act No. 6426, and such waiver shall constitute the authority of the Commissioner to inquire into the foreign currency deposits of the taxpayer; and

c. a specific taxpayer or taxpayers subject of a request for the supply of tax information from a foreign tax authority pursuant to an international convention or agreement on tax matters to which the Philippines is a signatory or a party.

9. Without a court order, the Anti-Money Laundering Council is authorized to inquire into or examine foreign currency deposits with any banking institution or non-bank financial institution and their subsidiaries and affiliates, for purposes of investigating any property or funds that are in any way related to financing of terrorism or acts of terrorism, as well as property or funds of any person or persons in relation to whom there is probable cause to believe that such person or persons are committing or attempting or conspiring to commit, or participating in or facilitating the financing of terrorism or acts of

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terrorism as defined in Republic Act No. 10168 (Terrorism Financing Prevention and Suppression Act of 2012), pursuant to Section 10 of said law.

Additionally, the Commission on Audit, pursuant to its mandate under Section 2(1) Article IX-D of the 1987 Constitution, is authorized to examine and audit government deposits or funds and properties, owned or held in trust by, or pertaining to the Government or any of its subdivisions, agencies or instrumentalities, subdivisions, government-owned and –controlled corporations with original charters. The Presidential Commission on Good Government, in accordance with its statutory authority under Section 3(e), Executive Order No. 1, S. 1986, in the conduct of its investigations to recover ill-gotten wealth, may issue *subpoena* requiring the production of books, records, and other statement of accounts and other documents.

(As amended by Circular Nos. 794 dated 18 April 2013 and 1086 dated 6 May 2020)

Section 77. Numbered Accounts. Pursuant to Section 9 of Republic Act No. 9160 (The Anti-Money Laundering Act of 2001) dated 29 September 2001, as amended, and its Revised Implementing Rules and Regulations, foreign currency non-checking numbered accounts shall be allowed: *Provided,* that the true identity of the customers of all foreign currency non-checking numbered accounts are satisfactorily established based on official and other reliable documents and records and the information and documents required are obtained and recorded by the bank.

Section 78. Withdrawability and Transferability of Deposits. There shall be no restrictions on the withdrawal by the depositor of his deposit or on the transfer of the same abroad except those arising from the contract between the depositor and the bank.

Section 79. Insurance Coverage. Foreign currency deposits shall be insured under the provisions of Republic Act No. 3591, as amended. Depositors are entitled to receive payment in the same currency in which the insured deposits are denominated.

Section 80. Rates of Interest. Foreign currency deposits shall not be subject to interest rate ceilings.

Section 81. Eligibility as Collateral. Deposits under the foreign currency deposit system are eligible as collateral for peso loans or for foreign currency loans to residents and non-residents.

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Section 82. Taxes

The foreign currency denominated transactions shall be subject to tax treatment pursuant to the provisions of the National Internal Revenue Code, as amended and its Implementing Rules and Regulations.

(As amended by Circular Nos. 1086 dated 6 May 2020 and 1134 dated 28 December 2021)

Section 83. Exemption from Court Order or Process. Subject to the provisions of Republic Act No. 9160, as amended, foreign currency deposits shall be exempt from attachment, garnishment, or any other order or process of any court, legislative body, government agency or any administrative body whatsoever.

Section 84. Accounting

AABs shall maintain a separate accounting - for FCDU/EFCDU transactions covered by these rules that will enable preparation of the FCDU/EFCDU Balance Sheet and Income Statement, as well as reports for risk management and tax purposes.

For purposes of preparing the FCDU/EFCDU financial statements, the bank shall use the US dollar (USD) as its functional currency. However, for purposes of consolidating the FCDU/EFCDU financial statements with the RBU financial statements, these shall be translated into the presentation currency, i.e. Philippine Peso (PHP).

The transfer of net realized/unrealized losses recognized in profit or loss and in equity' and Undivided Profits/(Losses) from FCDU/EFCDU to the Regular Banking Unit (RBU) shall be subject to the guidelines and conditions under Appendix 16.

The policy guidelines on the conversion and transfer of foreign currency-denominated loans, and Real and Other Properties Acquired (ROPA) in the books of the FCDU/EFCDU to peso loans and ROPA in the books of the RBU shall be subject to the conditions provided under Appendix 17.

Banks which are authorized to operate under this Chapter shall submit to the appropriate supervising department of the Bangko Sentral a separate audited financial statement (category B report) of the FCDU/EFCDU for the past year not later than 120 calendar days after the close of the calendar year or fiscal year adopted by the bank in accordance with the provisions of Section 174 of the MORB.

(As amended by Circular Nos. 1074 dated 7 February 2020 and 1134 dated 28 December 2021)

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Section 85. Supervision. The Governor and the head of the appropriate department of the BSP personally, or by deputies, are authorized to verify the books of account and transactions of each AAB, to verify the eligible cover, as well as review all other requirements under these regulations and the bank's compliance with the provisions of law and these regulations.

Section 86. Prospective Effect of Regulations. In the event a new enactment or regulation is issued decreasing the rights hereunder granted, such new enactment or regulation shall not apply to foreign currency deposits already made or existing at the time of issuance of such new enactment or regulation, but such new enactment or regulation shall apply only to foreign currency deposits made after its issuance.

Section 87. Supervisory Enforcement Actions

1. Any willful violation of Republic Act No. 6426, as amended, or any regulation duly promulgated by the Monetary Board pursuant thereto shall subject the offender upon conviction to an imprisonment of not less than one (1) year nor more than five (5) years or a fine of not less than Five Thousand Pesos (PHP5,000.00) nor more than Twenty-Five Thousand Pesos (PHP25,000.00), or both such fine and imprisonment at the discretion of the court.

The BSP may revoke or suspend the authority of a bank to accept new foreign currency deposits for violation of Republic Act No. 6426, as amended, or these regulations, or if such bank ceases to possess the minimum qualifications required.

2. Non-submission, delayed and/or erroneous submission of report by a bank shall be subject to the monetary penalties under Section 102.

3. Consistent with Section 002 of the MORB, the BSP reserves the right to deploy its range of supervisory tools to ensure compliance with the requirements set forth in these guidelines. Non-compliance with the prescribed 100% FCDU/EFCDU asset cover requirement, and issuance by a bank of false/erroneous certification on its compliance with the FCDU/EFCDU asset cover requirement, and any other violations in these guidelines shall constitute reasonable grounds for the BSP to deploy its enforcement tools, including but not limited to, citing a bank for conducting business in an unsafe or unsound manner should its activities result in abnormal risk to the institution. A bank may likewise be directed to refrain from engaging in specific activities with serious supervisory issues. Lastly, sanctions may be imposed on the bank and responsible persons, i.e., directors, officers, and employees, which may include restrictions or suspension from certain authorities/activities; monetary sanctions against the bank and/or directors, officers, and employees, under Section 1102 of the MORB; and reprimand, suspension, disqualification and removal of concerned directors, officers, and employees.

(As amended by Circular Nos. 988 dated 20 December 2017, 1086 dated 6 May 2020, and 1197 dated 12 July 2024)

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PART FIVE. FOREIGN EXCHANGE FORWARDS AND SWAPS AND OPEN FOREIGN EXCHANGE POSITION OF BANKS

Chapter I

FOREIGN EXCHANGE FORWARDS AND SWAPS WITH AABs INVOLVING THE PHILIPPINE PESO

Section 88. General Policy. It is the policy of the BSP to support the deepening of the Philippine financial markets.

1. Customers may, through FX forwards with AABs, hedge their market risks arising from FX obligations and/or exposures; *Provided*, That forward sale of FX (deliverable and non-deliverable) may only be used when the underlying transaction is eligible for servicing using FX resources of AABs or AAB forex corps. Customers may, likewise, cover their funding requirements through FX swaps.

2. AABs may only engage in FX forwards and swap transactions with customers if the latter is hedging market risk or covering funding requirements. There shall be no double/multiple hedging such that at any given point in time, the total notional amount of the FX derivatives transaction/s shall not exceed the amount of the underlying FX obligation/exposure.

3. The customer shall no longer be allowed to purchase FX from AABs or AAB forex corps for FX obligations/exposures that are fully covered by deliverable FX forwards and FX swaps.

4. Derivatives transactions of resident banks as end-user shall be governed only by the rules under the MORB. For this purpose, resident banks shall refer to UBs, KBs and other banks with Type 3 (limited user) derivatives authority.

(As amended by Circular Nos. 1030 dated 5 February 2019 and 1124 dated 10 August 2021)

Section 89. Definition of Terms

"Customers" shall refer to: (a) resident banks [except UBs, KBs and other banks with Type 3 (limited user) derivatives authority]; (b) non-bank residents; and (c) non-residents, both banks and non-banks.

"Foreign exchange obligation" shall refer to an actual commitment to repatriate or pay to a non-resident or any AAB a specific amount of foreign currency on a pre-agreed date.

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"Foreign exchange exposure" shall refer to FX risk arising from an existing commitment which will lead to an actual payment of FX to, or receipt of FX assets from, non-residents or any AAB based on verifiable documents (e.g., FX risks arising from BSP-registered foreign investments without specific repatriation dates). Foreign exchange exposure shall also include those FX transactions that do not fall under the definition of FX obligation.

"Foreign exchange swap" shall refer to a transaction involving the actual exchange of two currencies (principal amount only) on a specific date at a rate agreed on deal date (the first leg), and a reverse exchange of the same two currencies at a date further in the future (the second leg) at a rate (different from the rate applied to the first leg) agreed on deal date.

"Foreign exchange forward" shall refer to a contract to purchase/sell a specified amount of currency against another at a specified exchange rate for delivery at a specified future date three or more business days after deal date.

"Non-Deliverable Forward (NDF)" shall refer to a foreign exchange forward contract where only the net difference between the contracted forward rate and the market rate at maturity (i.e., the fixing rate) shall be settled on the forward date.

(As amended by Circular Nos. 690 dated 23 June 2010 and 1030 dated 5 February 2019)

Section 90. Documentation. Minimum documentary requirements for FX forward and swap transactions are listed in Appendix 18. AABs shall make available the original/electronic/digital/photocopy of documents (as applicable) upon request by the BSP for verification.

(As amended by Circular No. 1124 dated 10 August 2021)

Section 91. Tenor/Maturity and Settlement

a. Forward Sale of FX (whether deliverable or non-deliverable)

The tenor/maturity of such contracts shall not be longer than:

(i) the maturity of the underlying FX obligation; or

(ii) the approximate due date or settlement of the FX exposure.

For deliverable FX forward contracts, the tenor/maturity shall be co-terminus with the maturity of the underlying obligation or the approximate due date or settlement of the FX exposure. This shall not preclude pretermination of the contract due to prepayment of the underlying obligation or exposure; *Provided*, That Section 25 of the

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FX Manual shall be complied with for the prepayment of foreign/ foreign currency loans.

b. Foreign Exchange Swaps

No restriction on tenor.

c. Settlement of NDFs

All NDF contracts with residents shall be settled in pesos.

d. Remittance of foreign exchange proceeds of deliverable forward and swap contracts

Foreign exchange proceeds of deliverable forward and swap contracts shall either be:

i. delivered by the AAB counterparty directly to the beneficiaries concerned, except for foreign investments where said FX proceeds are reconverted to Philippine pesos and re-invested in eligible peso instruments such as those listed in Appendix 18. For this purpose, beneficiaries shall refer to the FCDU/EFCDU of a bank, a non-resident entity (e.g., creditor, supplier, investor), or a resident (for resident to resident transactions) to whom the customer is committed to pay/remit foreign exchange; or

ii. credited to the FCDU account of the customer (with the same or another AAB) for eventual use[76]/remittance by the depository AAB to the intended beneficiary (including payment/treasury centers/ hubs of a group of companies, as may be applicable): *Provided,* that if the depository bank is different from the AAB counterparty: (i) the AAB counterparty shall directly transfer the foreign exchange proceeds to the depository bank of the customer; and (ii) the depository bank shall also be the foreign exchange remitting AAB.

(As amended by Circular Nos. 794 dated 18 April 2013 and 925 dated 13 September 2016)

Section 92. (Reserved)

(As amended by Circular No. 790 dated 6 March 2013)

[76] In case of peso funding requirements covered by foreign exchange swaps

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Section 93. Cancellations, Roll-overs or Non-delivery of Deliverable Foreign Exchange Forward and Swap Contracts

All cancellations, roll-overs or non-delivery of all foreign exchange deliverable forward contracts and the forward leg of swap contracts shall be subject to the following guidelines to determine the validity thereof:

a. **Eligibility Test** - Contracts must be supported by documents listed in Appendix 18;

b. **Frequency Test** - the reasonableness of the cancellation, roll-over or non-delivery shall be based on the results of the evaluation of the justification/explanation submitted by banks as evidenced by appropriate documents;

c. **Counterparty Test** – the cancellation or roll-over of contracts must be duly acknowledged by the counterparty to the contract as shown in documents submitted by banks, e.g., there should be *conforme* of counterparty as evidenced by the counterparty signature on pertinent documents; and

d. **Mark-to-Market Test** – the booking or recording in the books of accounts of the profit or loss on contracts and cash flows/settlement to counterparties must be fully supported by appropriate documents such as authenticated copy of debit/credit tickets, schedules showing among others, mark-to-market valuation computation, etc.

Section 94. Reporting Requirements

Banks duly authorized to engage in derivatives transactions shall continue to be covered by the BSP's existing reporting requirements on financial derivatives. Cancellations, roll-overs or non-delivery of deliverable foreign exchange forward contracts and under the forward leg of swap contracts shall be reported electronically in Excel and Portable Document Format to the BSP not later than five (5) banking days from end of reference month using the prescribed format in Annex L.

Swap contracts with counterparties involving purchase of foreign exchange by banks at the initial leg shall likewise be reported electronically in Excel and Portable Document Format to the BSP not later than five (5) banking days from end of reference month using the prescribed format in Annex M.

(As amended by Circular Nos. 1086 dated 6 May 2020 and 1197 dated 12 July 2024)

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Section 95. Non-Bank BSP-Supervised Entities (NBBSEs)

NBBSEs that may subsequently be authorized to engage in foreign exchange forwards and swaps as dealers shall likewise be covered by the provisions of this Chapter.

Chapter II

OPEN FOREIGN EXCHANGE POSITION OF BANKS

Section 96. General Policy. It is the policy of the BSP to promote the growth and development of the foreign exchange market. In order to ensure that banks are able to provide ample liquidity in the market but, at the same time, conduct their business in a sound manner, banks shall manage their open foreign exchange positions in accordance with these guidelines. Banks shall likewise ensure faithful adherence to ethical standards in carrying out their foreign exchange transactions.

(As amended by Circular No. 1120 dated 7 June 2021)

Section 97. Definition of Terms

"Open Foreign Exchange Position" shall refer to the extent that banks' foreign exchange assets do not match their foreign exchange liabilities. An open position may either be "positive", "long", or "overbought" (i.e., foreign exchange assets exceed foreign exchange liabilities) or "negative", "short", or "oversold" (i.e., foreign exchange liabilities exceed foreign exchange assets).

An Authorized Agent Bank (AAB)'s "Qualifying Capital" shall be determined in accordance with the Risk-Based Capital Adequacy Framework under Appendix 59 of the Manual of Regulations for Banks.

(As amended under Circular Nos. 937 dated 27 December 2016 and 1120 dated 7 June 2021)

Section 98. Computation of the Consolidated Net Open Foreign Exchange Position. An AAB's consolidated net open foreign exchange position is the higher of the absolute value of the sum of the net long positions or the sum of the net short positions in individual currencies.

The net long/short position in each currency shall consist of:

(1) FX assets and FX liabilities, excluding the following:

i. 100% FX cover required by a foreign Monetary Authority to be deposited by a Philippine UB/KB/IB/Digital Bank with its advising/ confirming bank in the foreign country for letters of credit issued;

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ii. Equity investments in foreign subsidiaries;
iii. Investments in Global Peso Notes issued by the Republic of the Philippines;
iv. Foreign exchange holdings resulting from original investments in New Money Bonds (NMB);
v. "Due from Head Office/Branches/Agencies Abroad-Assigned Capital" account, to the extent of the lower of assigned capital approved by the BSP or the amount of capital actually remitted; and
vi. Amount of foreign currency-denominated assets pertaining to the net proceeds of outstanding issues of foreign currency denominated Additional Tier 1 capital instruments.

(2) Contingent FX assets and contingent FX liabilities, including forward purchases and sales, which shall be reported at notional amount;

(3) Options positions, in accordance with the following:

a. AABs with Dealer Authority to write options shall include the net delta weighted positions of their foreign currency options.

b. AABs without the said authority shall include the notional amounts of all options positions that are in or at the money and exclude those that are out of the money;

(4) Net position in outstanding foreign currency-denominated derivatives other than FX forwards, FX swaps and FX options, which shall be reported as the difference between (a) the positive fair value and (b) the negative fair value of these contracts; and

(5) The net open foreign currency position of any of the AAB's branches/ offices, subsidiaries and affiliates here and abroad, whether or not they are financial institutions, as long as the bank and its shareholders/officers exercise reasonable influence or control over such institutions. This item shall likewise include the net open foreign currency position of any entity that is engaged in foreign exchange trading or is a foreign exchange corporation that is affiliated with the AAB either by ownership, management control, or influence by the AAB itself or its retirement fund, officers, directors, or shareholders.

(As amended under Circular Nos. 1120 dated 7 June 2021 and 1197 dated 12 July 2024)

Section 99. Net Open Foreign Exchange Position Limit. A bank's consolidated net open foreign exchange position (either overbought or oversold) shall not exceed 25 percent (25%) of its Qualifying Capital or USD150.0 million, whichever is lower.

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AABs shall use the Qualifying Capital as of the month-end two months prior to the reporting date to determine the net foreign exchange position limit. For example, the amount of Qualifying Capital as of the end of January shall be the basis of the limit for all the days in March.

A bank's consolidated net open foreign exchange position shall be computed on a daily basis based on its FX Form 1/1A. The reporting requirements are outlined in Appendix 19 of the FX Manual, while Appendix 19.1 provides an illustrative example of the computation of the net open position.

(As amended under Circular Nos. 1120 dated 7 June 2021 and 1124 dated 10 August 2021)

Section 100. Supervisory Framework. The Bangko Sentral shall monitor AABs' compliance with the net open foreign exchange position limit set out under Section 99 of the FX Manual.

The Bangko Sentral will pay particular attention to AABs that breach the limit five (5) times within a 20-banking day period. The 20-banking day period shall be reckoned on a rolling basis. The Bangko Sentral shall evaluate the instances of breaches, with due regard to the following:

- The frequency and the gravity of the breaches;
- The underlying cause/s of the breaches and the extent to which these are consistent with the AAB's declared business strategies;
- The strength of the AAB's risk management system; and
- Actions taken by the AAB, if any, to address the breaches and restore compliance with the limit.

Consistent with Section 002 of the Manual of Regulations for Banks, the Bangko Sentral may deploy supervisory actions to ensure that foreign exchange risk does not threaten an AAB's safety and soundness. The Bangko Sentral may recommend corrective actions, curtail activities that give rise to excessive risk, and/or impose sanctions on the AAB, its directors and officers, as appropriate.

(As amended under Circular No. 1120 dated 7 June 2021)

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PART SIX. REPORTING GUIDELINES AND PENALTY PROVISIONS

Chapter I

REPORTING GUIDELINES

Section 101. Reporting Standards

1. Reports submitted to the BSP as listed under Appendix 22 should be complete, accurate, consistent, reliable and timely to be considered compliant with the BSP reporting standards. Thus, reports with incomplete schedules or attachments shall be considered non-compliant with the reporting standards. Reports shall also conform to the relevant submission and validation guidelines as prescribed by the BSP. Reporting entities should review and validate reports prior to submission to the BSP and have adequate internal controls in place to ensure adherence to the reporting standards.

2. The submission of reports to the appropriate department of the BSP shall be effected by sending these through electronic means. The date when the report was electronically sent shall be considered as the date of filing.

3. Definitions

a. *Primary* Report - A report where information is: (a) necessary for monitoring capital flows; and/or (b) principally part of a final report/ output to be submitted to BSP Management for statistical and policy development purposes.

b. *Secondary* Report – A report not included in the definition of primary report.

c. *Erroneous* Report - A report submitted within the prescribed deadline but is found to be non-compliant with the BSP reporting standards described in Section 101 of the FX Manual. Submission of an Erroneous Report shall be considered as willful failure to comply with a regulation.

d. *Delayed* Report - A report compliant with the BSP reporting standards but submitted after the deadline. Submission of a compliant report after the submission deadline shall be considered as willful delay in submission of reports.

e. *Unsubmitted* Report - A report that was not submitted or was submitted but is not compliant with the BSP reporting standards by the time the next report becomes due or upon the lapse of 30 calendar days from the report's submission deadline, whichever comes first. Non-submission of reports under this item shall be considered as willful refusal to comply with a regulation.

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4. In the implementation of the rules in this Section, the submission deadline is considered moved to the next banking day should it fall on a non-working day in the locality where the reporting entity is situated or on a working day where business operations in government offices were suspended due to typhoon, flood, or other fortuitous events.

Failure to submit a report on time due to fortuitous events, including, but not limited to, fire and other natural calamities, public disorders including strike and lockout affecting the reporting entity, as defined in the Labor Code of the Philippines or of a national emergency affecting the operation of reporting entities shall not be considered as willful failure to comply with a regulation, willful delay in submission or willful refusal to comply with a regulation.

5. To ensure the quality of reports, Section 102 prescribes the corresponding penalties for entities that fail to comply with the reporting standards prescribed in this Section.

6. The BSP may conduct, as described in Section 104, an assessment of the quality of the reporting system of the reporting entity in order to determine the underlying integrity of reports being submitted and root cause of persistent submission problems, if any.

(As amended by Circular Nos. 751 dated 16 March 2012, 794 dated 18 April 2013, 815 dated 18 October 2013, 846 dated 22 August 2014, 874 dated 8 April 2015, 925 dated 13 September 2016, 946 dated 17 February 2017, 1030 dated 5 February 2019, 1074 dated 7 February 2020, 1086 dated 6 May 2020, 1120 dated 7 June 2021, 1124 dated 10 August 2021, 1134 dated 28 December 2021, 1154 dated 14 September 2022, 1171 dated 29 March 2023, 1192 dated 11 April 2024, and 1197 dated 12 July 2024)

Chapter II

PENALTIES AND SANCTIONS

Section 102. Penalties on Violation of Reporting Standards. To ensure the quality of the reports, the following procedures for the imposition of monetary penalties for failure to comply with the reporting standards set under Section 101 shall apply in accordance with Section 37 of Republic Act (R.A.) No. 7653 (The New Central Bank Act), as amended:

1. The applicable monetary penalty shall be based on a prescribed fine for each occurrence (in case of *Erroneous* reports) and/or for each calendar day (in case of *Delayed* or *Unsubmitted* reports) which will accumulate until such time the report has been determined compliant with the prescribed reporting standards.

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a. The following are the prescribed penalties for reporting violations of each entity type:

Entity Type	Primary Report	Secondary Report
Universal/Commercial/Islamic Banks (UBs/KBs/IBs)	PHP3,000	PHP600
AAB Forex Corps	2,500	500
Digital Banks	2,000	400
Thrift Banks (TBs)	1,500	300
Offshore Banking Units (OBUs)	1,250	250
Rural Banks (RBs)/Coop Banks	450	150
Representative Offices (ROs)	300	100

b. The monetary penalties for reporting violations shall be computed as follows:

Erroneous

For a report initially considered *Erroneous* but subsequently complied with the reporting standards within the prescribed deadline, the penalty shall be computed by multiplying the prescribed fine by the number of times the subject report was submitted before being considered compliant.

Delayed

For *Delayed* reports, the penalty shall be computed by multiplying the prescribed fine by the number of calendar days delayed.

Erroneous and Delayed

If the report initially considered *Erroneous* was able to comply with the reporting standards after the prescribed deadline (i.e., *Delayed*), the penalty shall be based on the sum of the penalty for being *Erroneous* and the penalty for being *Delayed*.

Unsubmitted

For reports classified as *Unsubmitted* (regardless if said report was not submitted or was previously submitted but remains non-compliant as described in Section 101), the monetary penalty shall be three (3) times the number of days applied for determining such classification, as follows:

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(Column A) Reporting Frequency	(Column B) Defined number of calendar days after submission deadline to be considered "*Unsubmitted*"	(Column C) Number of calendar days for penalty computation of reports considered "*Unsubmitted*"
	(A)	(B) = (A multiplied by 3)
Daily	1	3
Weekly	7	21
Monthly	30	90
Quarterly		
Semestral		
Annual		
Event-Based*		

* Refers to reports that are not due under a regular periodicity since their required submission is instead reckoned from the occurrence of an event/incident or upon knowledge thereof.

In the event that a compliant report is submitted after it has been considered *Unsubmitted*, the applicable penalty shall be based on the number of calendar days provided in "Column C" of the preceding table. This will be the case even if the actual number of calendar days delayed is less than the constant number of days provided in said "Column C"[77].

In cases of reports falling due within a period affected by a fortuitous event or within a relief period prescribed by the BSP, said reports should comply with the reporting standards of the BSP within 15 calendar days after the end of the said fortuitous event or regulatory relief. Otherwise, these shall be considered *Unsubmitted* and imposed with a monetary penalty equivalent to the applicable fine prescribed in Section 102.1.a multiplied by 45 calendar days [i.e., three (3) times 15 calendar days].

A reporting entity is still required to submit a compliant report regardless if said report has been classified as "*Unsubmitted*" unless the non-submission is approved by the BSP. Otherwise, failure to submit a compliant report within seven (7) calendar days from the time an instruction was made to submit the said *Unsubmitted* report shall result in disciplinary enforcement action against the reporting entity in accordance with existing regulations such as, but not limited to, the BSP's Supervisory Enforcement Policy under Section 002 of the MORB, as may be amended.

2. The guidelines on the imposition of monetary penalties for violations in which sanctions fall under Section 37 of R.A. No. 7653, as amended, and other applicable laws are outlined in Appendix 24.

(As amended by Circular Nos. 1171 dated 29 March 2023 and 1197 dated 12 July 2024)

[77] For instance, a weekly report submitted on the eight (8th) calendar day after the submission deadline will still be penalized the equivalent of twenty-one (21) days, while it likewise follows that a weekly report submitted on the twenty-eighth (28th) calendar day shall still be penalized for twenty-one (21) days.

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Section 103. Sanctions on Violation of Policy. To ensure compliance with laws, rules, regulations, orders or instructions, the BSP recognizes that there is a need to impose monetary or non-monetary penalties as one of the possible administrative sanctions to hold AABs, AAB forex corps, OBUs, ROs, and/or their directors/trustees, officers and/or employees (DTOEs) accountable for their conduct, deter future commission of violations, achieve the overarching supervisory objectives of changed behavior and mitigated risk, and promote and maintain price stability, external sustainability and the integrity and value of the Philippine peso.

For this purpose, the provisions on Supervisory Enforcement Policy embodied in Section 002 of the MORB, as may be amended, are hereby adopted. The BSP may impose monetary penalties singly or in combination with non-monetary penalties, if appropriate. Moreover, the following provisions are also adopted:

1. Definitions

a. *Transactional* violation - An act or omission constituting a violation of any applicable law or any order, instruction/directive or regulation issued by the Monetary Board (MB), or any order, instruction/directive or ruling by the Governor which is consummated and concluded in a single instance/occasion.

b. *Continuing* violation - An act or omission constituting a violation of any applicable law or any order, instruction/directive or regulation issued by the MB, or any order, instruction/directive or ruling by the Governor in which the violation persists or lingers over time from the instant the particular act was committed or omitted until the violation is stopped.

2. Pursuant to Section 37 of R.A. No. 7653, as amended, AABs, AAB forex corps, OBUs, ROs, and/or their DTOEs may be imposed a maximum monetary penalty of PHP1,000,000 for each transactional violation or PHP100,000 per calendar day for violations of a continuing nature.

To ensure fairness, consistency and reasonableness in the imposition of monetary or non-monetary penalties, the BSP takes into consideration the attendant circumstances of each case, such as the nature and gravity of the violation or irregularity, the size of the financial institution, and other aggravating and mitigating factors.

3. The guidelines on the imposition of monetary penalties for violations in which sanctions fall under Section 37 of R.A. No. 7653, as amended, and other applicable laws are outlined in Appendix 24.

(As amended by Circular No. 1197 dated 12 July 2024)

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Section 104. Assessment of Reporting System. An assessment of reporting system may be done by the appropriate BSP department/office to ensure the integrity of the reports including improvements to the reporting system. If the results of the assessment disclose significant deficiencies in the reporting system, the reporting entity shall be required to submit a Board-approved action plan. Such action plan shall include measures that the reporting entity must undertake within a specified period of time to address the deficiencies noted.

Failure of the Board and Senior Management of the reporting entity to implement the required corrective measures within the specified timeframe shall be grounds to subject the reporting entity, including its Board, Senior Management and other responsible officer/s, to the BSP's Supervisory Enforcement Policy under Section 002 of the MORB, as may be amended. The imposition of penalties under this Section is without prejudice to imposition of other administrative or penal sanctions for violations of other rules and regulations being enforced by the BSP.

(As amended by Circular Nos. 1192 dated 11 April 2024 and 1197 dated 12 July 2024)

Chapter III

FINAL PROVISIONS

Section 105. Compliance with Anti-Money Laundering Rules

All transactions under this Manual shall comply with existing regulations on anti-money laundering pursuant to the provisions of Republic Act No. 9160, as amended.

Section 106. Penal Sanctions. Any person violating the provisions of the FX Manual shall suffer the penalties prescribed under Section 36 of R.A. No. 7653, as amended.

(As amended by Circular No. 1197 dated 12 July 2024)

Section 107. Repealing Clause. All existing BSP rules and regulations on current accounts, capital accounts, OBUs, representative offices of foreign banks, FCDUs/EFCDUs, foreign exchange forwards and swaps involving the Philippine peso, and open foreign exchange position of banks, as well as all other existing BSP rules and regulations or parts thereof which are inconsistent with or contrary to the provisions of this Manual are hereby repealed or modified accordingly: *Provided*, That regulations, violations of which are the subject of pending actions or investigations, shall not be considered repealed insofar as such pending actions or investigations are concerned, it being

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understood that as to such pending actions or investigations, the regulations existing at the time the cause of action accrued shall govern.

Section 108. Separability Clause. Nothing herein is intended nor shall be construed, to repeal or amend any law or statute. Should any provision of this Manual be declared unconstitutional or invalid, the remaining provisions or parts thereof shall remain in full force and effect, and continue to be valid and binding.

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Glossary of Terms

FOR PURPOSES OF THIS MANUAL, the following definitions are adopted:

Advance Payment is an arrangement between the seller/service provider and purchaser where the purchaser pays, (either partial or in full), the seller/service provider prior to the shipment of the goods/delivery of services.
(As amended by Circular No. 1124 dated 10 August 2021)

Affiliate refers to an entity linked directly or indirectly to a bank/non-bank by means of:

a. Ownership, control or power to vote, of ten percent (10%) to fifty percent (50%) of the outstanding voting stock of the entity, or vice-versa;
b. Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
c. Common stockholders owning ten percent (10%) to fifty percent (50%) of the outstanding voting stock of each entity;
d. Management contract or any arrangement granting power to the bank/ non-bank to direct or cause the direction of management and policies of the entity, or vice-versa; and
e. Permanent proxy or voting trusts in favor of the bank or quasi-bank/ non-bank constituting ten percent (10%) to fifty percent (50%) of the outstanding voting stock of the entity, or vice-versa.

(As amended by Circular No. 1124 dated 10 August 2021)

Authorized Agent Banks (AABs) shall refer to all categories of banks [except Offshore Banking Units (OBUs)] duly licensed by the BSP. It is understood that each category of bank should function within the operational parameters defined by existing laws/regulations for the specific bank category to which they respectively belong.

Authorized officer/official refers to an officer with a rank equivalent to at least Head of the agency/President/Chief Executive Officer/Chief Operating Officer/ Chief Finance Officer/Chief Treasury Officer; otherwise, he/she must be duly authorized by the Board of Directors or any of the foregoing/appropriate approving authority or its equivalent.
(As introduced by Circular No. 1030 dated 5 February 2019)

AAB forex corps, whether or not named as such, shall refer to AAB subsidiary/ affiliate forex corporations whose business include buying and selling of foreign exchange.
(As amended by Circular No. 1124 dated 10 August 2021)

Balikbayan is a Filipino that has established permanent residence abroad.

Bangko Sentral Registration Document (BSRD)[78] is a document evidencing registration of foreign investments and loans. The registration allows

[78] Except those covered by Section 37 for which a BSRD shall no longer be issued

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the transacting party to access the FX resources of, or purchase FX from, AABs/AAB forex corps against Philippine Pesos for servicing/settlement of these transactions.
(As introduced by Circular No. 1030 dated 5 February 2019 and as amended by Circular No. 1192 dated 11 April 2024)

Cash Against Document (CAD) is an arrangement whereby the buyer pays the exporter upon the former's receipt of the shipping documents sent to him by the exporter either directly or through the banks.

Consignment is an arrangement whereby payment is contingent upon the sale to third parties abroad of the exported commodities by consignee.

Copy refers to a document that is a reproduction (in any form) of the original.
(As introduced by Circular No. 1124 dated 10 August 2021)

Cross currency swap is an arrangement in which two parties exchange a series of cash flows in one (1) currency for a series of cash flows in another currency, at specified exchange rate and/or interest rate and at agreed intervals over an agreed period.
(As introduced by Circular No. 1030 dated 5 February 2019)

Debt securities referred to in Section 33.3.b of the FX Manual are negotiable instruments (e.g., notes, bonds and convertible notes) that serve as evidence of a debt. Non-participating preferred shares that pay a fixed income but do not provide for participation in the distribution of the residual value of an incorporated enterprise on dissolution, are also classified as debt securities. The term, however, excludes those debt falling under the provisions of Part Three, Chapter I (Loans/Borrowings and Guarantees) of the FX Manual.
(As introduced by Circular No. 1030 dated 5 February 2019 and as amended by Circular No. 1192 dated 11 April 2024)

Digital payments through e-commerce market participants referred to in Sections 8 and 18 of the FX Manual pertain to FX payments through electronic platforms for trade transactions by e-commerce market participants (e.g., payment system operators, payment service providers/aggregators).
(As introduced by Circular No. 1124 dated 10 August 2021)

Digital signature is a specific type of electronic signature which uses certificate-based digital IDs and demonstrate proof of signing by binding each signature to the document with cryptography.
(As introduced by Circular No. 1124 dated 10 August 2021)

Direct Remittance (DR) is a supplier-buyer arrangement where payment is made within 29 calendar days from bill of lading/airway bill date.

Documents Against Acceptance (DA) is an arrangement under documentary collection in which an exporter instructs the presenting bank to hand over shipping and title documents to the importer only if the importer accepts and signs the accompanying bill of exchange or draft.
(As amended by Circular No. 1124 dated 10 August 2021)

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Documents Against Payment (DP) is an arrangement under documentary collection in which an exporter instructs the presenting bank to hand over shipping and title documents to the importer only if the importer fully pays the accompanying bill of exchange or draft.
(As amended by Circular No. 1124 dated 10 August 2021)

E-commerce market participants refer to entities (excluding actual end-user of goods/services) involved in transactions using electronic means, such as through the internet or other computer-mediated networks.
(As introduced by Circular No. 1124 dated 10 August 2021)

Electronic signature refers to any distinctive mark, and/or characteristic in electronic form, representing the identity of a person and attached to or logically associated with the electronic data message or electronic document or any methodology or procedures employed or adopted by a person and executed or adopted by such person with the intention of authenticating or approving an electronic data message or electronic document.
(As introduced by Circular No. 1124 dated 10 August 2021)

Electronic transfer is a system where the authority to debit or credit an account (bank, business or individual) is provided by wire, with or without a source document being mailed to evidence the authority.

Exchange Traded Fund (ETF) refers to an open-end investment company that continuously issues and redeems its shares of stock in the form of creation units, in exchange for the delivery of a basket of securities representing an index whose performance the ETF endeavors to track; *Provided*, that the terms and conditions relative to the issuance and redemption of creation units shall be prescribed and disclosed in the Fund's SEC Registration Statement.
(As introduced by Circular No. 1030 dated 5 February 2019)

Export advances refer to all payments/remittances received before shipment, including prepayments and Red Clause advances.
(As introduced by Circular No. 1124 dated 10 August 2021)

Financial Institutions shall refer to business organizations that offer a broad base of financial services or specialize in specific financial functions, products, or services, e.g. banks, investment houses, pension funds, pawnshops, credit unions, investment companies, insurance companies, securities brokers and dealers, stock exchanges, mutual funds, trust corporations, leasing companies, financing companies, credit card companies, companies engaged in foreign exchange dealership/brokerage and others that deal in money.

Foreign Bank shall refer to a bank or banking corporation formed, organized and existing under any foreign law.

Foreign Currency Deposit Unit (FCDU)/Expanded Foreign Currency Deposit Unit (EFCDU) shall refer to a unit of a local bank or of a local branch of a foreign bank authorized by the BSP to engage in foreign currency-denominated transactions, pursuant to the provisions of Republic Act No. 6426, as amended.

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Foreign currency loans of the private sector refer to loans owed to banks operating in the Philippines that are denominated in currencies other than the Philippine peso.
(As introduced by Circular No. 1124 dated 10 August 2021)

Foreign Exchange (FX) shall be used interchangeably with foreign currency.
(As introduced by Circular No. 984 dated 22 December 2017)

Foreign Loans/Borrowings arise when a non-resident creditor lends funds (regardless of currency of denomination) directly to a resident debtor, and are evidenced by documents that are not negotiable.
(As amended by Circular No. 1030 dated 5 February 2019)

Forex Corporations, whether or not named as such, refer to entities whose business include buying and selling of foreign exchange.

Intercompany Netting Arrangement is an arrangement whereby a resident entity offsets its payables to against its receivables from its non-resident non-bank related party (i.e., parent/subsidiaries/affiliates/head office/branches).
(As introduced by Circular No. 1124 dated 10 August 2021)

Legal Tender refers to money recognized by law as acceptable payment for debts owed to creditors.

Letter of Credit (LC), which gives the seller assurance that he will receive the payment for the goods, is a binding document that a buyer can request from his bank in order to guarantee that the payment for goods will be transferred to the seller. In order for the payment to occur, the seller has to present the bank with the necessary shipping documents confirming the delivery of goods within a given time frame.
(As amended by Circular No. 1124 dated 10 August 2021)

Low-Cost Housing refers to housing packages with loan ceilings ranging from above PHP400,000 up to PHP3 million or in such other amounts which the Housing and Urban Development Coordinating Council may prescribe in the future.
(As amended by Circular No. 724 dated 13 June 2011)

Medium- and Long-Term Loans are credits with maturities exceeding one (1) year.

Negotiable instruments are instruments considered negotiable, and conform to the requirements for negotiability, under Act No. 2031, otherwise known as "The Negotiable Instruments Law".
(As introduced by Circular No. 1030 dated 5 February 2019)

Non-bank BSP-supervised entities (NBBSEs) refer to non-bank entities that fall under the supervisory authority of the BSP under Republic Act No. 7653 (The New Central Bank Act), Republic Act No. 8791 (The General Banking Law of 2000) and other special laws. These include quasi-banks, subsidiaries and affiliates of AABs/quasi-banks, non-banks with trust or investment

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management activities license, non-stock savings and loan associations, and pawnshops.

Non-resident refers to an individual, a corporation or other juridical person not included in the definition of resident. *(See "Resident")*

Non-trade current account transactions refer to all non-trade transactions (also referred to as invisibles) with non-residents not included in the definition of trade transactions, but excluding those related to foreign/foreign currency loans, foreign investments and other investments by both residents and non-residents.
(As amended by Circular No. 925 dated 13 September 2016)

Non-trade transactions refer to all other foreign exchange transactions not included in the definition of trade transactions. These shall include foreign loans, foreign investments, and other investments by both residents and non-residents. (See "Trade Transactions")
(As amended by Circular No. 925 dated 13 September 2016)

Offshore Banking refers to the conduct of banking transactions in foreign currencies involving the receipt of funds principally from external sources and, as allowed in this Manual, from internal sources and utilization of such funds, as provided herein.

Offshore Banking Unit (OBU) refers to a branch, subsidiary, or affiliate of a foreign banking corporation which is duly authorized by the BSP to transact offshore banking business in the Philippines. For purposes of this Manual, OBUs are classified as non-residents.

Onshore exchange refers to an organized and regulated financial exchange in the Philippines (e.g., Philippine Stock Exchange, Philippine Dealing and Exchange Corporation) where financial instruments are listed and traded.
(As introduced by Circular No. 1030 dated 5 February 2019)

Open Account (OA) is an arrangement whereby the shipping documents are sent and released by the exporter directly to the buyer, without coursing the documents through the banks, upon the buyer's promise to pay at some future date after shipment.
(As amended by Circular No. 1124 dated 10 August 2021)

Original refers to the document issued by the relevant party which may be in hardcopy/softcopy. This document shall bear signature (i.e., wet or electronic/ digital signature), except in the case of electronically-generated (i.e., through a system) document which need not bear signature provided that it contains a statement that it is electronically-generated and does not require signature.
(As introduced by Circular No. 1124 dated 10 August 2021)

Parent Company shall refer to an entity which owns more than fifty percent (50%) of the voting stock of another entity.
(As introduced by Circular No. 794 dated 18 April 2013)

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Philippine Depositary Receipt (PDR) refers to an instrument which gives the holder the right to the delivery or sale of the underlying securities, and to certain other rights, including acquisition of additional PDRs, or adjustments to the terms thereof, or upon the occurrence of certain events, in respect of rights issues, capital reorganizations, offers and analogous events or the distribution of cash dividends.
(As introduced by Circular No. 1030 dated 5 February 2019)

Private sector loans/borrowings that are not publicly-guaranteed – foreign/foreign currency loans/borrowings (including those in the form of bonds/notes/other debt instruments) of the private sector that do not involve any of the following public sector entities as co-borrower, guarantor, or co-issuer: (a) National Government, its agencies and instrumentalities; (b) Government-owned and controlled corporations (GOCCs); (c) Government financial institutions (GFIs), except short-term interbank borrowings; (d) Local government units (LGUs); and (e) Other public sector entities.
(As introduced by 984 dated 22 December 2017)

Publicly-guaranteed private sector loans/borrowings – foreign/foreign currency loans/borrowings (including those in the form of bonds/notes/other debt instruments) that are guaranteed by public sector entities such as Government-owned and controlled corporations (GOCCs); Government financial institutions (GFIs), except short-term interbank borrowings; and Local government units (LGUs).
(As introduced by 984 dated 22 December 2017)

Red Clause is a clause (originally typed in red) added to a letter of credit authorizing the advising/negotiating bank to make an advance payment to the beneficiary (exporter) before the actual shipment to the buyer. The advance may be up to 100% of the export contract value and may be used by the exporter to buy the inputs for manufacturing or shipment. Red clause credits are used primarily when the buyer (importer) has an agent in the exporting country. To finance its purchases, the importer may arrange for the opening of a red clause letter of credit. Negotiations of red clause credits are limited to the bank making the advances in order to assure that revenues from the shipment are used to repay the advances made.

Representative Office shall refer to a liaison office of a foreign bank which deals directly with the public by promoting and giving information about the foreign bank's services offered. It does not include the regional or area headquarters of a foreign bank registered and licensed under existing laws.

Resident shall refer to –

a) an individual citizen of the Philippines residing therein; or
b) an individual who is not a citizen of the Philippines but is permanently residing[79] therein; or

[79] Residents include any individual, citizen or otherwise, who has resided in the Philippines for a year or longer, as defined in Section 83 of IMF Balance of Payments Textbook, 1996.

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c) a corporation or other juridical person organized under the laws of the Philippines; or
d) a branch, subsidiary, affiliate, extension office or any other unit of corporations or juridical persons which are organized under the laws of any country and operating in the Philippines, except OBUs.

Short-term loans are credits with maturity not exceeding one (1) year.

Socialized housing refers to housing packages with loan ceilings of not more than PHP400,000, or in such other amounts which the Housing and Urban Development Coordinating Council may prescribe in the future.
(As amended by Circular No. 724 dated 13 June 2011)

Small-scale mining refers to mining activities which rely heavily on manual labor using simple implement and methods and do not use explosives or heavy mining equipment.

Subsidiary (of a bank) refers to a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held with power to vote by a bank.

Subsidiary shall refer to an entity more than fifty percent (50%) of the voting stock of which is owned by another entity (known as the parent company).
(As introduced by Circular No. 794 dated 18 April 2013)

Trade transactions refer to merchandise export and/or import transactions.

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